

The YMCA of Greater Vancouver

Financial statements

December 31, 2017



Independent auditors' report

To the Members of
The YMCA of Greater Vancouver

Report on the financial statements

We have audited the accompanying financial statements of **The YMCA of Greater Vancouver**, which comprise the statement of financial position as at December 31, 2017, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **The YMCA of Greater Vancouver** as at December 31, 2017, and the results of its operations, and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on other legal and regulatory requirements

As required by the *Societies Act* of British Columbia, we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Vancouver, Canada
May 3, 2018

Ernst & Young LLP

Chartered Professional Accountants



The YMCA of Greater Vancouver

Statement of financial position

As at December 31

	2017	2016
	\$	\$
Assets		
Current		
Cash	2,012,146	2,448,507
Accounts receivable [notes 4, 8 and 15]	1,269,786	1,879,508
Due from the YMCA of Greater Vancouver Foundation [note 3]	684,441	15,299
Prepaid expenses and other	565,515	498,147
Total current assets	4,531,888	4,841,461
YMCA facilities and projects under development [note 5]	5,832,136	1,145,794
Investments and restricted cash [note 6]	29,961,956	18,523,765
Property and equipment, net [notes 7 and 8]	8,577,033	8,662,102
Total assets	48,903,013	33,173,122
Liabilities and net assets		
Current		
Current portion of term loans [note 8]	618,617	685,325
Accounts payable and accrued liabilities [note 15]	4,423,514	3,356,721
Deferred revenue [note 9]	5,761,943	2,400,379
Current portion of capital lease obligations [note 10]	3,600	3,600
Total current liabilities	10,807,674	6,446,025
Deferred capital contributions [note 9]	16,438,064	6,085,988
Term loans [note 8]	548,745	590,386
Capital lease obligations [note 10]	28,800	32,400
Total liabilities	27,823,283	13,154,799
Commitments and contingencies [note 11]		
Net assets		
Unrestricted	419,514	937,924
Internally restricted [note 12]	20,660,216	19,080,399
Total net assets	21,079,730	20,018,323
Total liabilities and net assets	48,903,013	33,173,122

See accompanying notes

On behalf of the Board:



Director



Director

The YMCA of Greater Vancouver

Statement of operations

Year ended December 31

	2017	2016
	\$	\$
Revenue		
Program fees	17,703,992	17,001,435
Membership fees	14,454,863	15,116,345
Government sources – other	4,435,966	3,378,565
Government sources – child care	4,061,194	4,082,002
Grants from the YMCA of Greater Vancouver Properties Foundation [note 4]	2,657,009	2,550,750
Investment income [note 6]	1,683,235	666,628
Donations [note 14]	1,036,682	1,067,312
Grants from the YMCA of Greater Vancouver Foundation [note 3]	699,917	487,236
Allocations from the United Way	536,318	558,442
Gaming	210,000	211,642
Other revenue	83,225	61,006
	47,562,401	45,181,363
Expenses		
Salaries [notes 3, 4 and 16]	25,186,559	23,832,148
Occupancy [notes 3 and 4]	8,734,622	8,533,374
Employee benefits	3,291,037	3,153,876
Supplies	2,703,488	2,550,217
Office, legal and contract services	1,653,753	1,679,660
Grants and work study fees	791,825	549,738
Conferences, employee expense and vehicle costs	731,071	658,492
National support	555,342	556,829
Staff and volunteer training	495,607	659,923
Advertising and promotion	459,122	489,303
Bank charges	419,572	364,006
Repairs and maintenance	313,734	327,003
Other	93,348	58,387
Recovery of commodity tax rebate	(346,205)	(349,275)
	45,082,875	43,063,681
Excess of revenue over expenses before the following	2,479,526	2,117,682
Gain (loss) on disposal of property and equipment	(163,141)	47,067
Interest [notes 8 and 10]	(28,093)	(28,994)
Amortization of property and equipment [note 7]	(1,448,422)	(1,325,340)
Amortization of deferred capital contributions [note 9]	221,537	215,828
Excess of revenue over expenses for the year	1,061,407	1,026,243

See accompanying notes

The YMCA of Greater Vancouver

Statement of changes in net assets

Year ended December 31

	2017		2016
	Unrestricted	Internally restricted	Total
	\$	\$	\$
Net assets, beginning of year	937,924	19,080,399	20,018,323
Excess (deficiency) of revenue over expenses for the year	2,077,365	(1,015,958)	1,061,407
Transfer from (to) internally restricted <i>[note 12]</i>	(2,595,775)	2,595,775	—
Net assets, end of year	419,514	20,660,216	21,079,730

See accompanying notes

The YMCA of Greater Vancouver

Statement of cash flows

Year ended December 31

	2017	2016
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	1,061,407	1,026,243
Add (deduct) non-cash items		
Amortization of deferred compensation	30,241	30,504
Amortization of deferred capital contributions	(221,537)	(215,828)
Amortization of property and equipment	1,448,422	1,325,340
Gain on disposal of property and equipment	(27,323)	(47,067)
Loss on abandonment of leasehold improvements	196,952	—
Unrealized loss (gain) on investments	(573,095)	132,606
	<u>1,915,067</u>	<u>2,251,798</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable	609,722	(203,087)
Due from the YMCA of Greater Vancouver Foundation	(669,142)	108,959
Prepaid expenses and other	(97,609)	(47,911)
Accounts payable and accrued liabilities	(160,962)	286,900
Deferred revenue	3,361,564	467,680
Cash provided by operating activities	<u>4,958,640</u>	<u>2,864,339</u>
Investing activities		
Purchase of property and equipment	(1,537,897)	(2,034,157)
Proceeds on sale of property and equipment	78,435	51,010
Additions to YMCA facilities under development	(3,532,107)	(1,024,515)
Increase in investments and restricted cash	(10,364,628)	(474,928)
Cash used in investing activities	<u>(15,356,197)</u>	<u>(3,482,590)</u>
Financing activities		
(Repayments) borrowings on term loans, net	(108,349)	118,643
Receipt of contributions restricted for capital purposes	10,073,145	393,912
Payment of capital lease obligations	(3,600)	(3,600)
Cash provided by financing activities	<u>9,961,196</u>	<u>508,955</u>
Net decrease in cash during the year	(436,361)	(109,296)
Cash, beginning of year	2,448,507	2,557,803
Cash, end of year	<u>2,012,146</u>	<u>2,448,507</u>

See accompanying notes

The YMCA of Greater Vancouver

Notes to financial statements

December 31, 2017

1. Purpose of organization

The YMCA of Greater Vancouver [the “Association” or the “YMCA”] is an independent, charitable organization dedicated to the development of people in spirit, mind and body as well as the improvement of local, national and international communities. The Association is incorporated under the *Societies Act* of British Columbia and is a registered charity under the *Income Tax Act* (Canada) and accordingly is not subject to income taxes. The Association transitioned to the new *Societies Act* of British Columbia effective January 1, 2017.

On January 1, 2017, The Young Men’s Christian Association of Greater Vancouver transferred by way of a deed of gift all assets and liabilities to The YMCA of Great Vancouver, a newly formed society. Because the Young Men’s Christian Association of Greater Vancouver and the Association are controlled by the same board of trustees, continuity of interest accounting has been applied as the Association is continuing the work of the Young Men’s Christian Association of Greater Vancouver. The comparative figures represent the financial position and statement of operations of the Young Men’s Christian Association of Greater Vancouver. The 2017 statements of financial position and operations represent the financial position and operations of the Association. No changes to the book values of assets and liabilities occurred as a result of the deed of gift.

2. Significant accounting policies

These financial statements were prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, “Accounting Standards for Not-for-Profit Organizations”, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies described hereafter.

Revenue recognition

The Association follows the deferral method of accounting for contributions, which includes grants and donations. Externally restricted contributions are initially deferred and then recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions, including grants and donations, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Pledges are recognized as revenue if collection is reasonably assured, otherwise they are not recognized until the cash or asset is received. Contributions related to capital development projects and capital assets represent restricted contributions and are recognized as income on the same basis as the related assets are amortized.

Program fees and membership fees are recognized as revenue over the period to which the fees relate. Funds from government sources for services are recognized as revenue as the services to which the funds relate are delivered or performed. Amounts received in advance of meeting the criteria for revenue recognition are initially deferred and then recognized as revenue when earned.

Investment income, which consists of interest, dividends, income distributions from pooled funds and realized and unrealized gains and losses, is recorded in the statement of operations.

Financial instruments

Investments are recorded at fair value. Transactions are recorded on a trade date basis, and transaction costs are expensed as incurred.

The YMCA of Greater Vancouver

Notes to financial statements

December 31, 2017

Other financial instruments, including accounts receivable and accounts payable and accrued liabilities, are recorded at amortized cost, net of any provisions for impairment.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. The Association charges amortization on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and infrastructure	25 to 32 years
Program and operating equipment	4 to 8 years
Computer and office equipment	5 years
Automobiles	5 years
Leasehold improvements	Term of the lease or life of asset, whichever is the lesser.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments with a short term to maturity of approximately three months or less from the date of purchase, unless they are held for investment rather than liquidity purposes, in which case they are classified as investments.

Leases

Leases are classified as either capital or operating leases. Those leases that transfer substantially all the benefits and risks of ownership of the property to the Association are accounted for as capital leases. Capital lease obligations reflect the present value of future lease payments discounted at appropriate interest rates. All other leases are accounted for as operating leases, wherein rental payments are charged to operations as incurred.

YMCA facilities and projects under development

YMCA facilities and projects under development are recorded at cost and are not amortized. When project construction is complete, the YMCA facility and projects under development is transferred to the appropriate asset categories and amortized over its useful life. Interest costs and internal salaries and wages directly attributable to the development projects are capitalized as part of the facilities under development.

Long-term debt

Long-term debt is initially measured at fair value, net of transaction costs and financing fees. It is subsequently measured at amortized cost. Transaction costs and financing fees are amortized using the straight-line method.

Pension plan

Contributions to a multi-employer defined contribution pension plan are expensed on an accrual basis.

Notes to financial statements

December 31, 2017

Contributed materials and services

Volunteers contribute an indeterminable number of hours per year. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements. Contributed materials are also not recognized in the financial statements.

Management's estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent; however, actual results could differ from these estimates. Management estimates impact the period over which property and equipment and deferred capital contributions are amortized.

3. The YMCA of Greater Vancouver Foundation

The YMCA of Greater Vancouver Foundation [the "Foundation"] is an independent organization incorporated under the *Societies Act* of British Columbia and is a registered foundation under the *Income Tax Act* (Canada). It is concerned with assisting in the development, growth and continuing relevancy of the Association. The by-laws of the Association provide that the Chair or designate of the Foundation also be a member of the Association's Board of Directors.

In April 2016, the Trustees of the Foundation committed to provide the Association with \$3,000,000 over 10 years for the purpose of creating four new centres of community in Surrey, Vancouver, Coquitlam and Chilliwack. As at December 31, 2017, \$500,000 has been received in respect of this commitment [2016 – \$200,000] and has been recorded as deferred capital contributions [note 9[b]].

In addition, the Foundation makes grants and donations to the Association in accordance with donor's restrictions at the direction of the Foundation Trustees. During 2017, the Foundation provided grants of \$1,336,538 to the Association [2016 – \$691,749]. The Foundation reimbursed the Association for salaries relating to administration support totaling \$145,000 [2016 – \$145,000], which has been recorded as a reduction of salaries expense. In January 2015, the Association entered into a 10-year lease for lands and buildings owned by the Foundation that contains two renewal options of five years each. In July 2015, the Association entered into a 10-year lease agreement for Camp Deka owned by the Foundation that contains two renewal options of 10 years each. For the year ended December 31, 2017, the Association was charged rent of \$299,255 [2016 – \$301,630] by the Foundation for the buildings and the camp.

As at December 31, 2017, \$684,441 [2016 – \$15,299] was receivable from the Foundation in respect of administrative costs and grants not paid or remitted. The transactions are recorded at the exchange amounts agreed and established between the Association and the Foundation.

The YMCA of Greater Vancouver

Notes to financial statements

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4. The YMCA of Greater Vancouver Properties Foundation

The YMCA of Greater Vancouver Properties Foundation [the "Properties Foundation"] is an independent organization incorporated under the *Societies Act* of British Columbia and is a registered foundation under the *Income Tax Act* (Canada). It is concerned with assisting in the funding, support and promotion of the Association. The by-laws of the Properties Foundation provide that the immediate past-Chair of the Association also be an ex-officio member of the Properties Foundation Board of Directors.

In September 2015, the Association entered into the 10 year lease agreements with the Properties Foundation for the rental of properties that expire in August 2025 and contain two renewal options of 10 years each. The Association also has a 10-year lease agreement for lands and buildings owned by the Properties Foundation for the Chilliwack Family YMCA Hocking facility that expires in August 2025 and contains two renewal options of 10 years each. For the year ended December 31, 2017, the Association was charged rent of \$3,226,368 [2016 – \$3,097,339] by the Properties Foundation. During 2017, the Properties Foundation provided grants of \$3,657,009 [2016 – \$2,550,750] to the Association. As at December 31, 2017, \$62,036 [2016 – \$31,117] was receivable from the Properties Foundation, which was included in accounts receivable. The Association charged the Properties Foundation an administration fee of \$37,806 [2016 – \$25,672] for the year ended December 31, 2017. The transactions are recorded at the exchange amounts agreed and established between the Association and the Properties Foundation.

5. YMCA facilities and projects under development

Costs capitalized with respect to ongoing capital projects to December 31, 2017, have been recorded in YMCA facilities under development and will be transferred to the appropriate property and equipment category in the year of completion.

Facilities under development include:

	2017	2016
	\$	\$
Chilliwack	3,794,802	429,590
Technology project	737,003	290,481
Coquitlam	761,521	176,327
South Vancouver	270,904	115,537
New Surrey	233,207	103,658
New child care facilities	34,699	30,201
	<u>5,832,136</u>	<u>1,145,794</u>

For the year ended December 31, 2017, no facilities under development costs [2016 – nil] were transferred to property and equipment.

Notes to financial statements

December 31, 2017

6. Investments and restricted cash

Investments consist of the following:

	2017	2016
	\$	\$
Bank account balances for:		
[i] Internally restricted	331,793	258,113
[i] Externally restricted – Government <i>[note 9]</i>	8,077,194	1,581,227
[i] Externally restricted – Other <i>[note 9]</i>	1,124,638	382,826
Total bank account balances	<u>9,533,625</u>	<u>2,222,166</u>
Investments for:		
[ii] Guaranteed investment certificates for debt agreement <i>[note 8[c]]</i>	4,000,000	1,500,000
[iii] Internally restricted for strategic reserve	15,927,863	14,801,599
[iv] Externally restricted <i>[note 9]</i>	500,468	—
Total investments	<u>20,428,331</u>	<u>16,301,599</u>
Total investments and restricted cash	<u>29,961,956</u>	<u>18,523,765</u>

[i] Bank account balances are held in high interest savings accounts and earn interest at 0.80% [2016 – 0.80%] per annum.

[ii] GIC investments are held at the Royal Bank of Canada and earn interest at rates between 1.060% to 1.500% [2016 – 0.90%].

[iii] Internally restricted strategic reserve funds are invested with a portfolio manager.

The unrealized investment gain of the strategic reserve portfolio was \$600,099 [2016 – loss of \$132,606] and income for the year was \$1,026,165 [2016 – \$769,112]. The annual rate of return for the year ended December 31, 2017 was 11.23% [2016 – 4.34%].

The investments in pooled funds for the strategic reserve comprise the following:

	2017	2016
	%	%
Money market	1.7	5.5
Fixed income	32.7	33.7
Equities and equity funds	65.6	60.8
	<u>100.0</u>	<u>100.0</u>

[iv] Externally restricted investments include 531 Class A Preferred Shares in a private company at a guaranteed value of \$942.50 per share.

The YMCA of Greater Vancouver

Notes to financial statements

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7. Property and equipment

Location	Buildings, leasehold improvements, and infrastructure	Program and operating equipment	Computer and office equipment	Automobiles	Total	Accumulated amortization	Net book value
	\$	\$	\$	\$	\$	\$	\$
December 31, 2017							
Robert Lee YMCA – Downtown	104,832	1,836,813	380,785	—	2,322,429	(1,873,325)	449,104
Langara Family YMCA	96,648	1,642,102	270,575	—	2,009,326	(1,423,683)	585,643
Tong Louie Family YMCA – Surrey [note 8]	451,584	2,510,668	423,404	—	3,385,657	(2,460,338)	925,318
Chilliwack Family YMCA	—	—	27,514	—	27,514	(5,503)	22,011
Camp Elphinstone	2,040,434	1,217,750	247,521	250,124	3,755,830	(1,301,333)	2,454,497
Camp Deka	345,088	167,795	1,047	—	513,929	(265,157)	248,773
Child Care Unit	4,248,768	747,677	259,793	—	5,256,238	(2,152,155)	3,104,082
Association Services	408,721	9,631	2,050,050	—	2,468,402	(1,743,563)	724,839
Community services	—	64,695	34,211	39,855	138,761	(75,995)	62,766
	7,696,075	8,197,131	3,694,900	289,979	19,878,086	(11,301,052)	8,577,033
December 31, 2016							
Robert Lee YMCA – Downtown	104,832	1,815,027	455,678	—	2,375,537	1,803,334	572,203
Langara Family YMCA	96,648	1,425,055	328,322	—	1,850,025	1,336,966	513,059
Tong Louie Family YMCA – Surrey [note 8]	451,584	2,405,954	534,327	—	3,391,865	2,599,267	792,598
Chilliwack Family YMCA	142,436	1,205,158	317,760	—	1,665,354	1,425,912	239,442
Camp Elphinstone	2,040,434	872,738	267,563	246,812	3,427,547	1,134,732	2,292,815
Camp Deka	345,088	167,795	1,047	—	513,930	243,441	270,489
Child Care Unit	4,248,768	637,535	330,608	—	5,216,911	2,016,683	3,200,228
Association Services	408,721	9,631	2,018,572	—	2,436,924	1,725,912	711,012
Community services	—	53,906	58,276	39,855	152,037	81,781	70,256
	7,838,511	8,592,799	4,312,153	286,667	21,030,130	12,368,028	8,662,102

As at December 31, 2017, property and equipment include a child care centre under capital lease having a net book value of \$32,400 [2016 – \$36,000].

The YMCA of Greater Vancouver

Notes to financial statements

December 31, 2017

8. Bank demand loan and term loans

[a] Bank demand loan

The Association has a demand operating loan facility of \$2,500,000 [2016 – \$2,500,000] available to finance general operating activities and facility development activities, bearing interest at the bank's prime rate plus 0.45% [2016 – 0.45%] per annum on outstanding amounts payable on demand. No amounts were utilized under this facility during 2017. Interest in the amount of nil [2016 – \$65] is recorded as interest expense for the year ended December 31, 2017, on the demand operating loan facility.

[b] Term loans

	2017	2016
	\$	\$
Term loans for equipment [i]	1,167,362	1,275,711
Less long-term portion	548,745	590,386
	<u>618,617</u>	<u>685,325</u>

[i] The Association has a combined term loan and lease facility of \$2,000,000 available to finance capital expenditures. Borrowings under this facility may be converted into a demand operating loan. This facility is subject to review by the bank annually. As at December 31, 2017, there was a combined amount of \$1,167,362 [2016 – \$1,275,711] in term facility loans. These are three year term loans that bear interest between 2.69% and 3.51% [2016 – 2.69% and 2.93%] per annum. Interest on the term loans in the amount of \$28,093 [2016 – \$28,929] is recorded as interest expense. Monthly principal repayments under the loan facilities are \$61,300.96 [2016 – \$61,515].

The bank's prime rate as at December 31, 2017, was 3.20% [2016 – 2.70%].

The total estimated principal repayments of the term loans are as follows:

	\$
2018	618,617
2019	361,973
2020	186,772
	<u>1,167,362</u>

The term loans are collateralized by:

[a] A security agreement granted in favour of the bank over the program and office equipment of the Association with a carrying value of \$1,291,477 as at December 31, 2017.

[b] A security agreement granted in favour of the bank being the first ranking interest in all accounts receivable.

The YMCA of Greater Vancouver

Notes to financial statements

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[c] A security agreement assigning term deposit and/or guaranteed investment certificates in the amount of \$1,500,000 to the bank [note 6].

9. Deferred revenue and deferred capital contributions

[a] Deferred revenue

	2017	2016
	\$	\$
Community programs	4,017,690	744,372
Membership	466,768	470,027
Regional development centre	228,450	182,302
Child care	1,021,281	968,800
Other	27,754	34,878
	5,761,943	2,400,379

[b] Deferred capital contributions

	2017	2016
	\$	\$
Balance, beginning of year	6,085,988	5,907,905
Amounts received during the year [note 3]	10,578,115	393,911
Amortization of deferred capital contributions	(221,537)	(215,828)
Other	(4,502)	—
Balance, end of year	16,438,064	6,085,988

Deferred capital contributions represent capital contributions for the following:

	2017	2016
	\$	\$
Other deferred capital grants and contributions	3,935,897	4,121,935
Externally restricted – Government [note 6]	9,657,132	1,581,227
Externally restricted – What Really Matters Campaign [note 6]	2,845,036	382,826
	16,438,065	6,085,988

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10. Capital lease obligations

The present value of future minimum annual lease payments for a child care centre under capital lease at December 31, 2017 is as follows:

	\$
2018	3,600
2019	3,600
2020	3,600
2021	3,600
2022	3,600
Thereafter	14,400
	<u>32,400</u>
Less amount representing interest	—
Less current portion of capital lease obligations	(3,600)
	<u>28,800</u>

The interest on capital lease obligations was recorded as interest expense in the amount of nil [2016 – nil].

11. Commitments and contingencies

[a] The Association is committed to payments through 2025 under equipment and occupancy operating leases as follows:

	Equipment commitments	Occupancy commitments	Total commitments
	\$	\$	\$
	<i>[notes 3 and 4]</i>		
2018	396,000	4,595,739	4,991,739
2019	—	4,628,927	4,628,927
2020	—	4,417,025	4,417,025
2021	—	4,229,478	4,229,478
2022	—	4,204,789	4,204,789
Thereafter	—	15,429,031	15,429,031
	<u>396,000</u>	<u>37,504,989</u>	<u>37,900,989</u>

In addition to minimum rentals, leases for offices generally require the payment of various operating costs.

[b] The Association is a member of the YMCA World Urban Network and holds \$224,001 [2016 – \$197,143] in US funds on their behalf. These funds have not been recorded in the financial statements.

Notes to financial statements

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12. Internally restricted net assets

The Board of Directors appropriated internally restricted funds to be used as follows as at December 31:

	Property and equipment \$	Vehicle replacement costs \$	Total \$
Closing balance as at December 31, 2015	17,244,310	257,694	17,502,004
Transfer from (to) unrestricted funds	2,784,047	(36,497)	2,747,550
Allocation of income	(1,171,157)	2,002	(1,169,155)
Closing balance as at December 31, 2016	18,857,200	223,199	19,080,399
Transfer from (to) unrestricted funds	2,581,079	14,696	2,595,775
Allocation of income	(1,018,263)	2,305	(1,015,958)
Closing balance as at December 31, 2017	20,420,016	240,200	20,660,216

13. Financial instruments and risk

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The YMCA's main credit risk relates to its accounts receivable. The Association derives revenue from services delivered in Canada. Services are normally paid in advance or on a scheduled payment basis in Canadian funds and generally require no collateral.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Association has entered into term loan facilities bearing interest at fixed rates [note 8]. Interest rate risk also exists with respect to fixed income investments that are managed by professional investment advisors.

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Financial risk

Financial risk is the risk to the Association's results of operations that arises from fluctuations in equity valuations and market prices and foreign exchange rates and the degree of volatility of these rates. In managing these risks, the Association has established a target mix of investment types designed to achieve an optimal return within reasonable risk tolerances.

Liquidity risk

Liquidity risk is the risk that the Association will be unable to fulfill its obligations on a timely basis. The YMCA has no difficulty meeting obligations associated with its financial liabilities and, accordingly, is not exposed to liquidity risk.

14. Funds held by the Vancouver Foundation

The Vancouver Foundation holds the funds listed below to which the Association is entitled to receive a portion of distributable investment income.

	Share distributable income %	2017 income \$	2016 income \$
William E. and Emily Ross Fund	40	2,137	2,048
Senator and Mrs. S. S. McKeen Memorial Fund	100	2,337	2,240
Clarence L. Sorensen Fund	100	1,130	1,084
		5,604	5,372

15. Government receivables and remittances

Government receivables of \$675,512 [2016 – \$899,156] are included in accounts receivable. Government payables of \$221,848 [2016 – \$208,629] are included in accounts payable and accrued liabilities.

16. British Columbia Societies Act Disclosures

In accordance with the new *Societies Act* of British Columbia and its accompanying regulations, the following disclosures are required:

[a] Remuneration paid to directors

The directors of the Association receive no compensation as a result of their board position. From time to time, the Association carries out business transactions with suppliers of goods and services whose officers are also directors of the Association. During the year, these transactions amounted to \$16,806 [2016 – \$3,232]. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration

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established and agreed to by the related parties and which, in management's opinion, is comparable to amounts that would have been paid to non-related parties. These transactions are subject to a regular review process.

[b] Remuneration paid to employees and contractors

The 10 employees or contractors of the Association with the highest remuneration greater than \$75,000 include the President, eight Vice Presidents of the Association, and one General Manager. The total remuneration paid to these employees in the year was \$1,663,216 [2016 – \$1,583,009].