

Financial Statements

**The Young Men's Christian Association
of Greater Vancouver**

December 31, 2012

INDEPENDENT AUDITORS' REPORT

To the Members of
The Young Men's Christian Association of Greater Vancouver

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **The Young Men's Christian Association of Greater Vancouver**, which comprise the statements of financial position as at December 31, 2012 and 2011, and January 1, 2011, and the statements of operations, changes in net assets and cash flows for the years ended December 31, 2012 and 2011, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 in our audits 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 Young Men's Christian Association of Greater Vancouver** as at December 31, 2012 and 2011, and January 1, 2011, and the results of its operations, and its cash flows for the years ended December 31, 2012 and 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Society 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,
April 16, 2013.

Ernst & Young LLP

Chartered Accountants

The Young Men's Christian Association of Greater Vancouver

STATEMENTS OF FINANCIAL POSITION

As at December 31

	2012	2011	As at January 1, 2011
	\$	\$	\$
ASSETS			
Current			
Cash	18,449	63,892	27,180
Accounts receivable [notes 4, 8 and 15]	971,147	556,086	1,092,938
Due from the Endowment Fund of the YMCA [note 3]	—	149,882	38,650
Prepaid expenses and other	551,350	588,184	406,007
Total current assets	1,540,946	1,358,044	1,564,775
YMCA facilities under development [note 5]	525,584	2,522,514	1,240,168
Investments and restricted cash [note 6]	14,660,207	3,827,846	5,033,269
Property and equipment, net [notes 7 and 8]	60,032,774	57,600,156	59,787,077
Total assets	76,759,511	65,308,560	67,625,289
LIABILITIES AND NET ASSETS			
Current			
Bank demand loan [note 8]	183,459	—	1,561,055
Current portion of term loans [note 8]	3,450,992	8,098,892	8,729,078
Accounts payable and accrued liabilities [notes 8 and 15]	2,324,505	2,929,001	3,310,288
Due to the Endowment Fund of the YMCA [note 3]	17,900	—	—
Deferred revenue [note 9]	1,585,149	1,653,940	1,489,531
Current portion of capital lease obligations [note 10]	3,600	65,307	196,689
Total current liabilities	7,565,605	12,747,140	15,286,641
Deferred capital contributions [note 9]	19,051,266	17,486,328	16,697,136
Term loans [note 8]	338,494	307,044	455,386
Capital lease obligations [note 10]	46,800	49,500	113,907
Total liabilities	27,002,165	30,590,012	32,553,070
Commitments and contingencies [note 11]			
Net assets			
Unrestricted	(3,774,713)	(4,018,329)	(4,131,353)
Internally Restricted [note 12]	53,532,059	38,736,877	39,203,572
Total net assets	49,757,346	34,718,548	35,072,219
Total liabilities and net assets	76,759,511	65,308,560	67,625,289

See accompanying notes

On behalf of the Board:



Director



Director

The Young Men's Christian Association of Greater Vancouver

STATEMENTS OF OPERATIONS

Year ended December 31

	2012	2011
	\$	\$
REVENUE		
Program fees	12,601,302	12,196,556
Membership fees	13,320,235	13,169,916
Government sources - childcare	3,460,697	3,650,101
Government sources - other	2,106,419	2,814,976
Donations <i>[note 14]</i>	1,047,701	1,086,443
Allocations from the United Way	483,336	427,931
Grants from the YMCA of Greater Vancouver Properties Foundation <i>[note 4]</i>	211,613	211,538
Grants from the Endowment Fund of the YMCA <i>[note 3]</i>	285,048	195,184
Gaming	195,000	162,872
Other revenue	10,832	90,788
Investment income	128,875	43,304
Grants from the Endowment Foundation of the Chilliwack Family YMCA	676	17,072
	33,851,734	34,066,681
EXPENSES		
Salaries	17,973,744	17,646,811
Occupancy <i>[notes 3 and 4]</i>	4,421,506	4,854,092
Employee benefits	2,089,313	2,063,118
Supplies	2,073,050	2,245,890
Office, legal and contract services	1,213,720	1,810,870
Grants, work study fees and overseas transfers	644,333	257,114
Bank charges	447,890	432,588
Conferences, employee expense and vehicle costs	445,924	532,435
Staff and volunteer training	424,910	469,343
Repairs and maintenance	376,795	251,322
Advertising and promotion	357,248	497,090
National support	347,449	322,050
Other	87,968	127,382
Recovery of commodity tax rebate	(743,324)	(750,993)
	30,160,526	30,759,112
Excess of revenue over expenses before the following	3,691,208	3,307,569
Interest <i>[notes 8 and 10]</i>	(253,606)	(351,339)
Gain (loss) on interest rate swap <i>[notes 8 and 13]</i>	104,268	(44,788)
Participating gain on the sale of density <i>[note 16]</i>	14,665,737	—
Amortization of property and equipment <i>[note 7]</i>	(4,060,115)	(4,166,941)
Amortization of deferred capital contributions <i>[note 9]</i>	891,306	901,828
Excess (deficiency) of revenue over expenses for the year	15,038,798	(353,671)

See accompanying notes

The Young Men's Christian Association of Greater Vancouver

STATEMENTS OF CHANGES IN NET ASSETS

Year ended December 31

	2012			2011		
	Unrestricted	Internally Restricted	Total	Unrestricted	Internally Restricted	Total
	\$	\$	\$	\$	\$	\$
Net assets, beginning of year	(4,018,329)	38,736,877	34,718,548	(4,131,353)	39,203,572	35,072,219
Excess (deficiency) of revenue over expenses for the year	3,591,564	11,447,234	15,038,798	2,944,262	(3,297,933)	(353,671)
Transfer to Internally Restricted <i>[note 12]</i>	(3,347,948)	3,347,948	—	(2,831,238)	2,831,238	—
Net assets, end of year	(3,774,713)	53,532,059	49,757,346	(4,018,329)	38,736,877	34,718,548

See accompanying notes

The Young Men's Christian Association of Greater Vancouver

STATEMENTS OF CASH FLOWS

Year ended December 31

	2012	2011
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for the year	15,038,798	(353,671)
Add (deduct) non-cash items		
Amortization of deferred compensation	30,241	13,007
Amortization of property and equipment	4,060,115	4,166,941
Amortization of deferred capital contributions	(891,306)	(901,828)
Participating gain on sale of density	(14,665,737)	—
(Gain) loss on interest rate swap	(104,268)	44,788
	<u>3,467,843</u>	<u>2,969,237</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable	(407,494)	547,195
Due from the Endowment Fund of the YMCA	169,782	(111,232)
Prepaid expenses and other	36,147	(180,986)
Accounts payable and accrued liabilities	(346,369)	(184,608)
Deferred revenue	(118,984)	154,066
Cash provided by operating activities	<u>2,800,925</u>	<u>3,193,672</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(3,873,833)	(1,806,926)
Proceeds on sale of property and equipment	17,887	11,600
Proceeds from participating gain on sale of density	14,665,737	—
Additions to YMCA facilities under development	(663,644)	(1,722,705)
Decrease in construction holdback account	—	6,794
(Increase) decrease in investments and restricted cash	(10,832,362)	1,198,629
Cash used in investing activities	<u>(686,215)</u>	<u>(2,312,608)</u>
FINANCING ACTIVITIES		
Borrowings (repayments) on bank demand loan	183,459	(1,561,055)
Repayment on term loans	(4,616,450)	(778,528)
Receipt of contributions restricted for capital purposes	2,337,245	1,691,020
Payment of capital lease obligations	(64,407)	(195,789)
Cash used in financing activities	<u>(2,160,153)</u>	<u>(844,352)</u>
Net (decrease) increase in cash during the year	(45,443)	36,712
Cash, beginning of year	<u>63,892</u>	<u>27,180</u>
Cash, end of year	<u>18,449</u>	<u>63,892</u>

See accompanying notes

The Young Men's Christian Association of Greater Vancouver

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

1. PURPOSE OF ORGANIZATION

The Young Men's Christian Association 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 Society Act of British Columbia and is a registered charity under the Income Tax Act (Canada) and accordingly is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Part III of the Canadian Institute of Chartered Accountants ["CICA"] Handbook – *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 include 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, since they are not legally enforceable claims, are not recorded as revenue until the cash or related asset is received.

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. 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.

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

The Young Men's Christian Association of Greater Vancouver

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

Financial instruments

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

Other financial instruments, including accounts receivable and accounts payable, 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 declining balance basis over the economic lives of the assets as follows:

Buildings and infrastructure	4% - 5% per annum
Program and operating equipment	20% - 40% per annum
Computer and office equipment	30% per annum
Automobiles	20% per annum
Land	not amortized

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 under development

The YMCA facilities under development are recorded at cost and are not amortized. When project construction is complete, the YMCA facility under development project 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.

The Young Men's Christian Association of Greater Vancouver

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

Derivative financial instruments

Interest rate swaps have been used to reduce interest rate risk on the Association's debt. Management does not enter into derivative financial instruments for trading or speculative purposes. The Association has not designated its interest rate swap contracts as a hedge for accounting purposes and, accordingly, records the fair value of this derivative using a mark-to-market valuation basis, with changes in fair value during the year recognized in the statements of operations as unrealized gain (loss) on interest rate swaps.

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.

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. To these financial statements, such estimates principally impact the recoverability of YMCA facilities under development which are, in part, dependent on the success of the various development initiatives [note 5] and are dependent on the Association's continued support of these development initiatives. Management estimates also impact the period over which property and equipment are amortized.

The Young Men's Christian Association of Greater Vancouver

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

3. THE ENDOWMENT FUND OF THE YMCA

The Endowment Fund of the YMCA ["Endowment Fund"] is an independent organization incorporated under the Society 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 of the Endowment Fund also be a member of the Association's Board of Directors.

The Trustees of the Endowment Fund have committed to provide the Association \$1,000,000 over a period of 10 years for purposes of the development of the Robert Lee YMCA - Downtown. At December 31, 2012, \$900,000 [2011 - \$800,000] had been received from the Endowment Fund with respect to the Robert Lee YMCA - Downtown and has been recorded as deferred capital contributions.

In 2010, the Trustees of the Endowment Fund committed to provide the Association \$600,000 over 7 years for the purpose of building new lodges at Camp Elphinstone. At December 31, 2012, \$180,000 [2011- \$120,000] had been received in respect of this commitment and has been recorded as deferred capital contributions.

In addition, the Endowment Fund makes grants and donations to the Association in accordance with donor's restrictions at the direction of the Endowment Fund Trustees. The Endowment Fund reimbursed the Association for salaries relating to administration support totaling \$75,000 [2011 - \$75,000] which has been recorded as a reduction of salaries expense. The Association has a ten-year lease for lands and buildings owned by the Endowment Fund. For the year ended December 31, 2012, the Association was charged rent of \$117,066 [2011 - nil] by the Endowment Fund.

In 2012, the Endowment Fund sold its density rights in the Robert Lee YMCA - Downtown to the YMCA for \$1,155,800, which has been recorded as an addition to land [note 7].

During the year ended December 31, 2012, the Association made a grant of \$146,657 [2011 - \$84,830] to the Endowment Fund.

At December 31, 2012, \$17,900 was payable to the Endowment Fund in respect of grants and rent not received and administrative costs not paid [2011 - \$149,882 and January 1, 2010 - \$38,650 receivable from the Endowment Fund]. The transactions are recorded at the exchange amounts agreed and established between the Association and the Endowment Fund.

The Young Men's Christian Association of Greater Vancouver

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

4. THE YMCA OF GREATER VANCOUVER PROPERTIES FOUNDATION

The YMCA of Greater Vancouver Properties Foundation ["Properties Foundation"] is an independent organization incorporated under the Society 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. The Association has a ten-year lease for lands and buildings owned by the Properties Foundation for the Chilliwack Family YMCA Hocking facility which expires in December 2018. For the year ended December 31, 2012, the Association was charged rent of \$253,935 [2011 - \$253,846] by the Properties Foundation. During 2012, the Properties Foundation provided grants of \$211,613 to the Association [2011 - \$211,538]. At December 31, 2012, \$34,277 was payable to the Properties Foundation [2011 - \$1,385 due from the Properties Foundation]. The transactions are recorded at the exchange amounts agreed and established between the Association and the Properties Foundation.

5. YMCA FACILITIES UNDER DEVELOPMENT

Costs capitalized with respect to ongoing capital projects to December 31, 2012 have been recorded in YMCA facilities under development and will be transferred to the appropriate property and equipment category upon each project's completion. YMCA Camp Elphinstone projects under development at December 31, 2012, comprise the construction of camp lodges. These projects are scheduled for completion in 2013. The Tong Louie Family YMCA costs capitalized as at December 31, 2012, include its stage two renovation costs. Salaries and wages directly attributable to development projects in the amount of \$12,752 [2011 - \$26,581] have been capitalized and are included in the facilities under development costs.

	2012	2011	As at January 1, 2011
	\$	\$	\$
Tong Louie Family YMCA - Surrey	8,624	—	85,536
Robert Lee YMCA - Downtown	—	—	89,334
YMCA Camp Elphinstone	516,960	2,522,514	1,065,298
	<u>525,584</u>	<u>2,522,514</u>	<u>1,240,168</u>

For the year ended December 31, 2012, facilities under development costs of \$2,517,341 were transferred to property and equipment [2011- \$372,734].

The Young Men's Christian Association of Greater Vancouver

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

6. INVESTMENTS AND RESTRICTED CASH

Investments consist of the following:

	2012	2011	As at January 1, 2011
	\$	\$	\$
Bank account balances for			
Externally Restricted	—	—	141,964
Internally Restricted	560,451	327,846	191,305
Total bank account balances	560,451	327,846	333,269
Guaranteed investment certificates for			
Internally Restricted for Camp Elphinstone	—	—	1,100,000
Internally Restricted for capital	9,422,972	—	—
Internally Restricted for strategic reserve	3,147,548	3,295,100	3,300,000
Externally Restricted - Government <i>[note 9]</i>	1,509,046	—	—
Internally Restricted	—	200,000	300,000
Operations	20,190	4,900	—
Total guaranteed investment certificates	14,099,756	3,500,000	4,700,000
Total investments	14,660,207	3,827,846	5,033,269

Guaranteed investment certificates are held at Royal Bank of Canada and bear interest at 1.42% per annum and mature on March 25, 2013.

The Young Men's Christian Association of Greater Vancouver

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

7. PROPERTY AND EQUIPMENT

Location	Land \$	Buildings and infrastructure \$	Program and operating equipment \$	Computer and office equipment \$	Automobiles \$	Total \$	Accumulated amortization \$	Net book value \$
December 31, 2012								
Robert Lee YMCA - Downtown <i>[note 3]</i>	1,335,907	36,677,066	2,403,803	424,165	—	40,840,941	6,462,983	34,377,958
Langara Family YMCA	513,122	4,073,932	1,542,237	275,663	—	6,404,954	3,847,049	2,557,905
Tong Louie Family YMCA - Surrey <i>[note 8]</i>	826,602	13,592,875	2,418,143	506,888	42,000	17,386,508	7,433,244	9,953,264
Chilliwack Family YMCA	—	45,050	1,195,260	317,263	86,261	1,643,834	1,458,673	185,161
Camp Elphinstone	30,058	9,837,812	840,614	126,949	94,488	10,929,921	2,763,320	8,166,601
Camp Deka	—	277,266	102,932	1,047	14,825	396,070	175,761	220,309
Child Care Unit	—	4,229,275	532,269	283,376	62,137	5,107,057	1,228,015	3,879,042
Association Services	—	343,377	9,631	1,391,243	—	1,744,251	1,051,717	692,534
	2,705,689	69,076,653	9,044,889	3,326,594	299,711	84,453,536	24,420,762	60,032,774
December 31, 2011								
Robert Lee YMCA - Downtown <i>[note 8]</i>	180,107	36,655,333	2,366,748	422,322	—	39,624,510	4,293,364	35,331,146
Langara Family YMCA	513,122	3,959,325	1,612,129	265,563	—	6,350,139	3,857,997	2,492,142
Tong Louie Family YMCA - Surrey <i>[note 8]</i>	826,602	13,064,112	2,221,814	497,610	42,000	16,652,138	6,795,849	9,856,289
Chilliwack Family YMCA	—	23,019	1,103,035	326,086	86,261	1,538,401	1,366,269	172,132
Camp Elphinstone	30,058	6,563,710	759,426	130,249	94,488	7,577,931	2,364,152	5,213,779
Camp Deka	—	224,685	87,061	1,047	14,825	327,618	157,211	170,407
Child Care Unit	—	4,229,275	508,054	228,439	62,137	5,027,905	1,031,766	3,996,139
Association Services	—	165,201	7,980	2,353,055	—	2,526,236	2,158,114	368,122
	1,549,889	64,884,660	8,666,247	4,224,371	299,711	79,624,878	22,024,722	57,600,156
January 1, 2011								
Robert Lee YMCA - Downtown <i>[note 8]</i>	180,107	36,235,941	2,187,681	411,130	—	39,014,859	1,791,514	37,223,345
Langara Family YMCA	513,122	3,959,325	1,524,320	258,008	—	6,254,775	3,668,099	2,586,676
Tong Louie Family YMCA - Surrey <i>[note 8]</i>	826,602	13,064,112	1,867,258	495,667	42,000	16,295,639	6,137,109	10,158,530
Chilliwack Family YMCA	—	23,019	1,092,249	326,086	86,261	1,527,615	1,316,121	211,494
Camp Elphinstone	30,058	5,858,726	755,455	128,900	94,488	6,867,627	2,063,130	4,804,497
Camp Deka	—	209,156	86,389	1,047	14,825	311,417	146,524	164,893
Child Care Unit	—	4,229,275	489,855	199,264	62,137	4,980,531	840,806	4,139,725
Association Services	—	165,201	7,980	2,301,015	—	2,474,196	1,976,279	497,917
	1,549,889	63,744,755	8,011,187	4,121,117	299,711	77,726,659	17,939,582	59,787,077

At December 31, 2012, property and equipment include program and operating equipment, office equipment and a childcare centre under capital lease having a net book value of \$55,144 [2011 - \$136,835].

The Young Men's Christian Association of Greater Vancouver

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

8. BANK DEMAND LOAN AND TERM LOANS

[a] Bank demand loan

	2012	2011	As at January 1, 2011
	\$	\$	\$
Bank overdraft	65,432	—	1,347,680
Uncashed cheques	118,027	—	213,375
	<u>183,459</u>	<u>—</u>	<u>1,561,055</u>

The Association has a demand operating loan facility of \$3,500,000 available to finance general operating activities and facility development activities, bearing interest at the bank's prime rate plus 0.45% on outstanding amounts payable on demand. Interest for the year ended December 31, 2012, on the demand operating loan facility in the amount of \$404 [2011 - \$3,472] is recorded as interest expense.

[b] Bankers' acceptance/term loans

	2012	2011	As at January 1, 2011
	\$	\$	\$
Loan agreement facility for Tong Louie Family YMCA - Surrey [i]	2,997,090	3,236,078	3,485,195
Loan agreement facility for Robert Lee YMCA - Downtown [ii]	—	4,484,724	4,967,440
Term loans for equipment [iii]	792,396	685,134	731,829
	<u>3,789,486</u>	<u>8,405,936</u>	<u>9,184,464</u>
Less long-term portion	<u>(338,494)</u>	<u>(307,044)</u>	<u>(455,386)</u>
	<u>3,450,992</u>	<u>8,098,892</u>	<u>8,729,078</u>

The Young Men's Christian Association of Greater Vancouver

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

- [i] As at December 31, 2012, the Association has a bankers' acceptance ["BA"] facility of \$3,000,000 for the Tong Louie Family YMCA - Surrey bearing interest at the treasury rate plus a BA fee of 1.50% per annum which is available through August 2013. The facility is comprised of one interest rate swap with a balance outstanding of \$2,997,090 at December 31, 2012, which is subject to interest at the 30-day treasury rate plus a BA fee of 1.65% per annum. The interest rate swap loan facility matures in October 2014. To reduce the interest rate risk on the loan, the Association entered into an interest rate swap contract with a notional principal of \$3 million that entitles the Association to receive interest at floating rates on the notional principal amount and obliges it to pay interest at a fixed rate of 2.27% plus the BA fee of 1.65%. At December 31, 2012, the interest rate swap agreement was in a net unfavourable position of \$53,217 and the gain, being the change in fair value, for 2012 of \$49,692 has been recorded in the statements of operations. The liability with respect to the net unfavourable position has been included in accounts payable and accrued liabilities. Interest expense recorded on this loan facility was \$135,464. During the year, the collateral on this interest rate swap was moved from the land and improvements of the Robert Lee YMCA - Downtown to the land and improvements of the Tong Louie Family YMCA - Surrey.

As at December 31, 2011, the Association had a BA facility of \$3,750,000 for the Tong Louie Family YMCA - Surrey bearing interest at the treasury rate plus a BA fee of 1.30% per annum which was available through August 2012. At December 31, 2011 this facility was comprised of two components:

- (a) A 365-day BA for 2011 of \$245,708 [January 1, 2011 - \$494,855] which matured May 16, 2012 at a rate of 1.75%. Interest expense recorded on this loan facility in 2011 was \$9,607.
- (b) An interest rate swap with a balance outstanding as at December 31, 2011 of \$2,990,370 [January 1, 2011 - \$2,996,760], which was subject to interest at the 90-day treasury rate plus the BA fee of 1.30% per annum. The interest rate swap matured in August 2012. To reduce the interest rate risk on the loan, the Association entered into an interest rate swap contract with a notional principal of \$3 million that entitles the Association to receive interest at floating rates on the notional principal amount and obliges it to pay interest at a fixed rate of 3.68% plus the BA fee of 1.30%. At December 31, 2011, the interest rate swap agreement was in a net unfavourable position of \$54,576 and the gain, being the change in fair value, for 2011 of \$47,260 was recorded in the statement of operations. The liability with respect to the net unfavourable position was included in accounts payable and accrued liabilities. Interest expense recorded on this loan facility in 2011 was \$149,867.

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December 31, 2012

[ii] The Association had a BA facility of \$5,000,000 for the Robert Lee YMCA - Downtown bearing interest at the treasury rate plus a BA fee of 1.65% per annum. As at December 31, 2012, this BA facility is no longer available to the Association. At December 31, 2011, this facility was comprised of two components:

- (a) A 90-day BA for \$996,460 at a rate of 1.35% which matured on January 12, 2012 and a 365-day BA for \$491,414 at a rate of 1.75% which matured on May 16, 2012. Interest expense recorded on this facility during the year was \$21,428 [2011 - \$43,143].
- (b) An interest rate swap with a balance outstanding as at December 31, 2011 of \$2,996,850 which was subject to interest at the 30-day treasury rate plus a BA fee of 1.65% per annum. The collateral on this interest rate swap was the land and improvements of the Robert Lee YMCA - Downtown.

[iii] The Association has a combined term loan and lease facility of \$1,800,000 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. At December 31, 2012, there was a combined amount of \$792,396 [2011 - \$685,133; January 1, 2011 - \$731,829] in term facility loans. These are 3-year term loans that bear interest between 3.14% and 3.52% [2011 - 3.19% and 3.52%] per annum. At December 31, 2012, the lease obligation under this facility totalled nil [2011 - \$60,807; January 1, 2011 - \$252,797]. Interest on the term loans in the amount of \$24,508 [2011 - \$24,765] is recorded as interest expense.

The bank's prime rate at December 31, 2012 was 3.00% [2011 - 3.00%].

The total estimated principal repayments of long-term debt due are as follows:

	\$
2013	3,450,992
2014	228,915
2015	109,579
	<u>3,789,486</u>

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NOTES TO FINANCIAL STATEMENTS

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The loans are collateralized by:

- [a] A security agreement granted in favour of the bank over the accounts receivable of the Association with a carrying amount of \$951,147 at December 31, 2012.
- [b] Collateral mortgage in the amount of \$8.0 million, constituting a first fixed charge of the lands and improvements of the Tong Louie Family YMCA - Surrey with a carrying amount of \$9,268,173 at December 31, 2012.

9. DEFERRED REVENUE AND DEFERRED CAPITAL CONTRIBUTIONS

[a] Deferred revenue

	2012	2011	As at January 1, 2011
	\$	\$	\$
Association revenues	140,934	166,756	127,834
Community Services Employment	674,127	699,089	550,497
Membership	527,251	589,209	649,611
Childcare	242,837	198,886	161,589
	1,585,149	1,653,940	1,489,531

[b] Deferred capital contributions

	2012	2011
	\$	\$
Balance, beginning of year	17,486,328	16,697,136
Amounts received during the year	2,456,244	1,691,020
Amounts recognized as revenue during the year	(891,306)	(901,828)
Balance, end of year	19,051,266	17,486,328

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Deferred capital contributions represent capital contributions for the following:

	2012	2011	As at January 1, 2011
	\$	\$	\$
Tong Louie Family YMCA - from Surrey capital campaign	3,434,756	3,615,531	3,780,822
Tong Louie Family YMCA - Surrey - from Endowment Fund	601,363	633,014	666,331
Strong Foundations, Strong Communities - from capital campaign	9,173,240	9,021,620	8,097,606
Strong Foundations, Strong Communities - government funds	2,691,955	2,815,214	2,833,393
Strong Foundations, Strong Communities - from Endowment Fund	795,942	737,833	676,666
Other deferred capital grants and contributions	844,964	663,116	642,318
Externally Restricted - Government <i>[note 6]</i>	1,509,046	—	—
	19,051,266	17,486,328	16,697,136

The Tong Louie Family YMCA - Surrey capital campaign, including the Endowment Fund contribution of \$1,000,000, raised \$6,465,721 in cash and pledges on a goal of \$6,000,000.

The Strong Foundations, Strong Communities capital campaign, including the Endowment Fund contribution of \$1,000,000, raised \$17.0 million [2011 - \$16.8 million] in cash and pledges on a goal of \$13.5 million. As of December 31, 2012, \$14,945,432 [2011 - \$13,956,056] in contributions have been received.

The externally restricted government funds of \$1,509,046 are restricted for the Association's expansion in the Central Fraser Valley.

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10. CAPITAL LEASE OBLIGATIONS

The present value of future minimum annual lease payments for a childcare centre under capital leases at December 31, 2012 is as follows:

	\$
2013	3,600
2014	3,600
2015	3,600
2016	3,600
2017	3,600
Thereafter	<u>32,400</u>
	50,400
Less amount representing interest	—
Less current portion of capital lease obligations	<u>(3,600)</u>
	<u>46,800</u>

The interest on capital lease obligations was recorded as interest expense in the amount of \$506 [2011 - \$3,933].

11. COMMITMENTS AND CONTINGENCIES

[a] The Association is committed to payments through 2022 under equipment and occupancy operating leases as follows:

	Equipment commitments \$	Occupancy commitments \$	Total commitments \$
	<i>[notes 3 and 4]</i>		
2013	286,000	796,722	1,082,722
2014	14,166	535,226	549,392
2015	—	518,453	518,453
2016	—	471,602	471,602
2017	—	448,177	448,177
Thereafter	—	1,223,865	1,223,865
	<u>300,166</u>	<u>3,994,045</u>	<u>4,294,211</u>

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

[b] The Association has issued letters of guarantee totalling \$97,500 [2011 - \$97,500]. These are irrevocable standby letters of guarantee issued in favour of the Department of Fisheries and Oceans for performance guarantees related to the ongoing projects at Camp Elphinstone.

[c] The Association is a member of the YMCA World Urban Network and holds \$145,618 [2011 - \$172,432] US funds on their behalf. These funds have not been recorded in the financial statements.

12. INTERNALLY RESTRICTED NET ASSETS

The Board of Directors appropriated Internally Restricted funds to be used as follows as at December 31, 2012:

	Internally Restricted for					Total
	Property and equipment	Childcare capital and transition requirements	Emergency capital requirements	Organization transition costs	Vehicle replacement costs	
	\$	\$	\$	\$	\$	\$
Opening balance as at January 1, 2011	38,712,267	198,820	71,865	184,785	35,835	39,203,572
Transfer from						
Unrestricted	2,758,398	—	—	—	72,840	2,831,238
Allocation of income	(3,261,634)	2,401	868	(40,000)	432	(3,297,933)
Closing balance as at December 31, 2011	38,209,031	201,221	72,733	144,785	109,107	38,736,877
Transfer from (to)						
Unrestricted	3,280,001	(5,253)	—	—	73,200	3,347,948
Allocation of income	11,482,576	2,447	884	(40,000)	1,327	11,447,234
Closing balance as at December 31, 2012	52,971,608	198,415	73,617	104,785	183,634	53,532,059

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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. The Association's credit risk does not include counterparty exposure associated with the fixed interest rate swap contract in the event that there is non-performance as the counterparty to the contract and the underlying are one and the same.

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. During 2008, the Association entered into an interest rate swap contract terminating in August 2012 on a notional principal amount of \$3,000,000. During 2010, the Association entered into a second interest rate swap contract terminating in October 2014 on a notional principal amount of \$3,000,000. The mark-to-market valuation of the swap contracts at December 31, 2012 gave rise to an gain of \$104,268 [2011 - loss of \$44,788] [note 8].

Liquidity risk

The YMCA has no difficulty meeting obligations associated with its financial liabilities and accordingly is not exposed to liquidity risk.

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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 of distributable income %	2012 income \$	2011 income \$
William E. and Emily Ross Fund	40	1,737	2,068
Senator and Mrs. S. S. McKeen Memorial Fund	100	1,883	1,916
Clarence L. Sorensen Fund	100	931	926
		4,551	4,910

15. GOVERNMENT RECEIVABLES AND REMITTANCES

Government receivables of \$251,414 [2011 - \$262,288; January 1, 2011 - \$454,243] is included in accounts receivable. HST/GST payable (recoverable) of \$7,010 [2011 - \$(17,186); January 1, 2011 - \$(114,618)] is included in accounts payable.

16. PARTICIPATING GAIN ON SALE OF DENSITY

The contract for the sale of density rights negotiated in prior years entitles the Association to receive a portion of the profits derived from the sale of condominium units at the Robert Lee YMCA - Downtown. In 2012, the Association received an amount of \$14,665,737 from the developer representing the Association's share of the profits on the sale of the condominium units calculated in accordance with the contract which has been recorded as an unusual item in the statement of operations in 2012.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2012

17. FIRST-TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

These financial statements are the first financial statements which the Association has prepared in accordance with Part III of the CICA Handbook – *Accounting* [“GAAP”], which constitutes generally accepted accounting principles for not-for-profit organizations in Canada.

The accounting policies that the Company has used in the preparation of its statement of financial position through the application of these principles have resulted in adjustments to balances which were presented in the statement of financial position prepared in accordance with Part V of the CICA Handbook - *Accounting XFI* [“Previous GAAP”]. Accordingly, the following adjustments have been recorded:

Under Previous GAAP, joiner fees were accounted for as deferred capital contributions. Under GAAP, joiner fees are recorded on the statement of revenue and expenditures in the year they are received. As at January 1, 2011, this resulted in a decrease of deferred capital contributions and an increase in internally restricted net assets of \$1,018,599. For the year ended December 31, 2011, this resulted in an increase to membership fees of \$325,449 and a decrease in the amortization of deferred capital contributions of \$67,202 resulting in a net increase to excess (deficiency) of revenue over expenses and internally restricted net assets of \$258,247 and a decrease in deferred capital contributions of \$258,247.