

Financial Statements of

**YMCA-YWCA OF VANCOUVER ISLAND,
BRITISH COLUMBIA**

Year ended December 31, 2016



KPMG LLP
St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7
Canada
Telephone 250-480-3500
Fax 250-480-3539

INDEPENDENT AUDITORS' REPORT

To the Members of the YMCA-YWCA of Vancouver Island, British Columbia

Report on the Financial Statements

We have audited the accompanying financial statements of YMCA-YWCA of Vancouver Island, British Columbia, which comprise the statement of financial position as at December 31, 2016, the statements of operations and changes in fund balances, and cash flows for the year then ended, and notes, comprising 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 our 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, we 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 YMCA-YWCA of Vancouver Island, British Columbia as at December 31, 2016 and its results of 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 (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with the Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Professional Accountants

April 27, 2017
Victoria, Canada

YMCA-YWCA OF VANCOUVER ISLAND, BRITISH COLUMBIA

Statement of Financial Position

December 31, 2016, with comparative information for 2015

	Restricted Funds				Total 2016	Total 2015
	General Fund	Capital Campaign Fund	Endowment Fund			
Assets						
Current assets:						
Cash	\$ 3,854	-	-	\$ 3,854	\$ 2,291	
Accounts receivable	134,089	-	-	134,089	330,186	
Inventory	69,263	-	-	69,263	24,118	
Prepaid expenses and supplies	16,565	-	-	16,565	27,227	
	223,771	-	-	223,771	363,822	
Capital assets (note 2)						
Investments (note 3)	4,938,192	-	-	4,938,192	3,171,768	
Cash surrender value of life insurance policies	-	-	1,063,216	1,063,216	1,019,362	
Deposits (note 13)	319,691	-	40,547	319,691	38,957	
Due from (to) other funds	(394,433)	360,250	34,183	-	285,833	
	\$ 5,087,221	360,250	1,137,946	\$ 6,585,417	\$ 4,899,742	
Liabilities						
Current liabilities:						
Bank indebtedness (note 4)	\$ 2,373,544	-	-	\$ 2,373,544	\$ 351,525	
Accounts payable and accrued liabilities (note 5)	874,232	-	-	874,232	662,871	
Deferred revenue (note 6)	694,690	-	-	694,690	729,982	
Demand loan (note 7)	3,950,000	-	-	3,950,000	1,150,000	
	7,892,466	-	-	7,892,466	2,894,378	
Fund Balances						
Unrestricted	(2,805,245)	-	-	(2,805,245)	522,874	
Externally restricted	-	360,250	966,558	1,326,808	1,269,297	
Internally restricted	-	-	171,388	171,388	213,193	
Lease commitments (notes 10 and 13)	(2,805,245)	360,250	1,137,946	(1,307,049)	2,005,364	
Subsequent events (notes 4 and 7)						
	\$ 5,087,221	360,250	1,137,946	\$ 6,585,417	\$ 4,899,742	

The accompanying notes are an integral part of these financial statements.

Approved on Behalf of the Board:



Director

Director

YMCA-YWCA OF VANCOUVER ISLAND, BRITISH COLUMBIA

Statement of Operations and Changes in Fund Balances

Year ended December 31, 2016, with comparative information for 2015

	Restricted Funds				Total 2016	Total 2015
	General Fund	Capital Campaign Fund	Westshore Fund	Endowment Fund		
Revenue:						
Program fees	\$ 6,074,159	-	-	-	6,074,159	4,259,814
Government funding (note 8)	795,107	-	131,187	-	926,294	258,642
Gaming	100,025	-	-	-	100,025	100,000
Fundraising activities	170,074	132,931	-	5,645	308,650	340,848
Other revenue	72,907	-	-	-	72,907	92,805
Investment income (note 9)	35,392	-	-	3,270	38,662	59,218
Gain on disposal of capital assets	-	-	-	-	-	6,100
	7,247,664	132,931	131,187	8,915	7,520,697	5,117,427
Expenses:						
Salaries and benefits	5,856,388	-	-	-	5,856,388	3,417,878
Operations	1,163,574	-	-	-	1,163,574	556,962
Occupancy	1,631,180	-	-	-	1,631,180	253,797
Purchased services	818,176	-	-	-	818,176	322,364
Development activities	-	-	299,463	-	299,463	87,120
Amortization	398,884	-	-	-	398,884	264,610
Association dues	139,532	-	-	-	139,532	128,827
Interest and bank charges	268,440	-	-	-	268,440	129,035
Marketing and communications	183,574	-	-	-	183,574	124,337
Insurance	80,371	-	-	-	80,371	62,001
Bad debts	34,112	-	-	-	34,112	17,503
Scholarships	-	-	-	3,270	3,270	8,385
Unrealized (gain) loss on investments	-	-	-	(43,854)	(43,854)	3,010
	10,574,231	-	299,463	(40,584)	10,833,110	5,375,829
Excess (deficiency) of revenue over expenses	(3,326,567)	132,931	(168,276)	49,499	(3,312,413)	(258,402)
Fund balances, beginning of year	906,274	394,043	(383,400)	1,088,447	2,005,364	2,263,766
Interfund transfers:						
Westshore fund balance (note 13(c))	(551,676)	-	551,676	-	-	-
Capital purchases	166,724	(166,724)	-	-	-	-
Fund balances, end of year	\$ (2,805,245)	360,250	-	1,137,946	(1,307,049)	2,005,364

The accompanying notes are an integral part of these financial statements.

YMCA-YWCA OF VANCOUVER ISLAND, BRITISH COLUMBIA

Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses:		
General Fund	\$ (3,326,567)	\$ (193,080)
Capital Campaign Fund	132,931	142,663
Westshore Fund	(168,276)	(226,872)
Endowment Fund	49,499	18,887
	<u>(3,312,413)</u>	<u>(258,402)</u>
Items not involving cash:		
Amortization of capital assets	398,884	264,610
Gain on disposal of capital assets	-	(6,100)
Unrealized loss on investments	(43,854)	3,010
Increase in cash surrender value of life insurance policies	(1,590)	(997)
Changes in non-cash operating working capital:		
Accounts receivable	196,097	(274,449)
Inventory	(45,145)	6,464
Prepaid expenses and supplies	10,662	30,544
Accounts payable and accrued liabilities	211,361	323,827
Deferred revenue	(35,292)	195,993
	<u>(2,621,290)</u>	<u>284,500</u>
Financing activities:		
Long-term debt repayments	-	(533,842)
Proceeds of demand loan	2,800,000	1,150,000
	<u>2,800,000</u>	<u>616,158</u>
Investing activities:		
Decrease in investments	-	102,176
Payment of deposits	(33,858)	-
Proceeds on sale of capital assets	-	6,100
Purchase of capital assets	(2,165,308)	(1,099,419)
	<u>(2,199,166)</u>	<u>(991,143)</u>
Decrease in cash	(2,020,456)	(90,485)
Cash, beginning of year	(349,234)	(258,749)
Cash, end of year	<u>\$ (2,369,690)</u>	<u>\$ (349,234)</u>
Cash is comprised of:		
Cash	\$ 3,854	\$ 2,291
Bank indebtedness	(2,373,544)	(351,525)
	<u>\$ (2,369,690)</u>	<u>\$ (349,234)</u>

The accompanying notes are an integral part of these financial statements.

YMCA-YWCA OF VANCOUVER ISLAND, BRITISH COLUMBIA

Notes to Financial Statements

Year ended December 31, 2016

The YMCA-YWCA of Vancouver Island, British Columbia ("YMCA-YWCA" or the "Association") is incorporated under the Society Act (British Columbia) as a not-for-profit organization and is a registered charity under the Income Tax Act. During the 2015 year, the Association changed its legal name from YMCA-YWCA of Greater Victoria, British Columbia to YMCA-YWCA of Vancouver Island, British Columbia. The Association is a charitable, community based association of volunteers and staff working together to enhance the quality of life in the local and global communities based on the principles of human dignity, justice and peace. The Association's mission is to provide quality community leadership, programs, services and education for individuals and families that encourage and support a balanced approach to development in body, mind and spirit.

1. Significant accounting policies:

The financial statements of the Association have been prepared in accordance with Canadian accounting standards for not-for-profit organizations using the significant accounting policies as described below:

(a) Fund accounting:

The Association follows the restricted fund method of accounting for contributions. The Association records its activities in the following funds:

General Fund:

The General Fund is established for the general operations of the Association. All operational transactions, including those of a capital nature, are recorded in the accounts of this fund.

Capital Campaign Fund:

The Capital Campaign Fund is established to record restricted contributions that are to be used for the purchase of Camp Thunderbird capital assets and equipment for the Langford and View Royal facilities.

Westshore Fund:

The Westshore Fund was established to record restricted contributions and expenses related to the Westshore development activities. Upon commencement of operations at the newly developed Langford and View Royal facilities, the fund balance of the Westshore fund was transferred to the General Fund.

Endowment Fund:

The Endowment Fund is established to record resources contributed for endowment.

Other restricted funds are established as required.

YMCA-YWCA OF VANCOUVER ISLAND, BRITISH COLUMBIA

Notes to Financial Statements

Year ended December 31, 2016

1. Significant accounting policies (continued):

(b) Capital assets:

Purchased capital assets are stated at cost. Contributed capital assets are recorded at fair value at the date of contribution.

Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows:

Asset	Years
Buildings	40
Cabins	40
Camp improvements	40
Camp site services infrastructure	30
Leasehold improvements	Term of the lease
Equipment	2 - 10

Amortization on assets under construction commences when the asset is put into service.

When a capital asset no longer has any long-term service potential to the Association, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

(c) Inventory:

Inventory consists of goods held for resale and is carried at the lower of cost and net realizable value.

(d) Contributed services and materials:

Volunteers contribute an indeterminable number of hours per year to assist the YMCA-YWCA in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements. Donated materials that would not otherwise have been purchased by the Association are not recognized in the financial statements.

(e) Revenue recognition:

Program revenues are recognized as revenue of the General Fund in the year that they are earned and collection is reasonably assured.

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred.

Deferred revenue includes unearned program revenues, government grants received in advance of expenses, unearned lease inducements, unspent externally restricted bequests and unspent externally restricted investment income.

YMCA-YWCA OF VANCOUVER ISLAND, BRITISH COLUMBIA

Notes to Financial Statements

Year ended December 31, 2016

1. Significant accounting policies (continued):

(e) Revenue recognition (continued):

Donations of life insurance policies are recorded when the funds are received by the Association. The cash surrender value of life insurance policies and changes in cash surrender value are recorded for those policies in which the Association is the beneficiary. Changes in the cash surrender value of life insurance policies are recorded in fundraising activities revenue.

Contributions for endowment are recognized as revenue in the Endowment Fund when received or receivable.

Contributions for the capital campaign are recognized in the Capital Campaign Fund when received or receivable.

Contributions for the Westshore development are recognized in the Westshore Fund when received or receivable.

Restricted investment income earned on resources of the Endowment Fund is reported in the General Fund or the Endowment Fund depending on the nature of any restrictions imposed by contributors of funds for endowment. Unrestricted investment income earned on resources of the Endowment Fund is recognized as revenue of the General Fund. Other investment income is recognized as revenue of the General Fund when earned.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Investments that are quoted in an active market are subsequently measured at fair value and all changes in the fair value are recognized in excess (deficiency) of revenue over expenses in the period incurred. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Association has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Association determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Association expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

YMCA-YWCA OF VANCOUVER ISLAND, BRITISH COLUMBIA

Notes to Financial Statements

Year ended December 31, 2016

1. Significant accounting policies (continued):

(g) Employee future benefits:

The Association and its employees make contributions to a multi-employer defined contribution pension plan. The Association's contributions are expensed as incurred.

(h) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the year. Actual results could differ from these estimates.

2. Capital assets:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 165,584	\$ -	\$ 165,584	\$ 165,584
Buildings	4,279,632	3,508,955	770,677	864,069
Leasehold improvements	2,553,892	73,786	2,480,106	-
Cabins	637,324	127,973	509,351	555,136
Camp improvements	1,369,213	1,030,680	338,533	372,073
Camp site services infrastructure	24,309	1,350	22,959	23,769
Equipment	1,444,517	798,477	646,040	291,774
Equipment under development	4,942	-	4,942	20,950
Leasehold improvements under development	-	-	-	878,413
	\$ 10,479,413	\$ 5,541,221	\$ 4,938,192	\$ 3,171,768

YMCA-YWCA OF VANCOUVER ISLAND, BRITISH COLUMBIA

Notes to Financial Statements

Year ended December 31, 2016

3. Investments:

The following investments are recorded at fair value.

	2016	2015
Cash	\$ 15,948	\$ 40,525
Fixed income	394,879	371,031
Canadian equities	328,608	298,554
International equities	153,638	156,024
U.S. equities	170,143	153,228
	<u>\$ 1,063,216</u>	<u>\$ 1,019,362</u>

4. Bank indebtedness:

The Association has a credit facility in the form of a demand revolving loan. The loan bears interest at the bank's prime rate plus 0.50% (2015 - 0.50%). The maximum demand revolving loan available at December 31, 2016 is \$2,550,000. The credit facility used as at December 31, 2016 was \$2,373,544 (2015 - \$351,525). Subsequent to year end the maximum demand revolving loan authorized increased to \$3,450,000 and the interest rate changed to prime rate plus 1.50%.

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$117,826 (2015 - \$56,610), which includes amounts payable for GST, payroll deductions and workers' compensation premiums.

6. Deferred revenue:

Deferred externally restricted contributions related to expenses of future periods and prepaid fees consist of the following:

	2016	2015
Unearned grants	\$ 62,889	\$ 196,776
Bequests	138,885	139,085
Program revenue	313,976	162,299
Lease inducements	178,729	231,611
Miscellaneous	211	211
	<u>\$ 694,690</u>	<u>\$ 729,982</u>

YMCA-YWCA OF VANCOUVER ISLAND, BRITISH COLUMBIA

Notes to Financial Statements

Year ended December 31, 2016

7. Demand loan:

	2016	2015
Vancouver City Savings Credit Union: Loan bearing interest at prime plus 0.50% (3.2% at December 31, 2016) per annum, with interest calculated and payable monthly. Amounts outstanding are due on demand.	\$ 3,950,000	\$ 1,150,000

Loans are secured by promissory notes and a General Security Agreement against all property of the Association.

On February 16, 2017 the interest rate on the loan increased to prime plus 1.50%.

8. Government funding:

	2016	2015
Federal	\$ 27,163	\$ 13,783
Provincial	399,131	244,859
Municipal	500,000	-
	\$ 926,294	\$ 258,642

9. Investment income:

Investment income earned, recorded in the statement of operations, is calculated as follows:

	2016	2015
Income earned on resources held for endowment:		
Unrestricted	\$ 24,021	\$ 35,585
Restricted	14,641	23,633
Total investment income recognized as revenue	\$ 38,662	\$ 59,218

YMCA-YWCA OF VANCOUVER ISLAND, BRITISH COLUMBIA

Notes to Financial Statements

Year ended December 31, 2016

10. Lease commitments:

The Association has operating leases with future minimum aggregate lease payments as follows:

(a) Office equipment, computer equipment and related services:

2017	\$ 286,813
2018	286,813
2019	80,082
2020	5,592
2021	1,866
	\$ 661,166

(b) Fitness equipment:

2017	\$ 187,655
2018	187,655
2019	187,655
2020	81,369
2021	11,485
	\$ 655,819

(c) Langford 25 year lease commenced on March 1, 2016 (note 13(a)):

	Future minimum lease payments	Future minimum service income
2017	\$ 1,197,000	\$ 750,000
2018	1,282,500	750,000
2019	1,368,000	750,000
2020	1,453,500	750,000
2021	1,482,000	750,000
Thereafter	28,652,000	14,500,000
	\$ 35,435,000	\$ 18,250,000

YMCA-YWCA OF VANCOUVER ISLAND, BRITISH COLUMBIA

Notes to Financial Statements

Year ended December 31, 2016

10. Lease commitments (continued):

(d) Langford 10 year office lease commenced on May 1, 2016 (note 13(a)):

2017	\$	52,140
2018		53,562
2019		54,984
2020		56,406
2021		60,672
Thereafter		299,568
	\$	577,332

(e) View Royal 10 year lease commenced on May 7, 2016 (note 13(b)):

2017	\$	197,500
2018		207,500
2019		217,500
2020		227,500
2021		237,500
Thereafter		1,220,000
	\$	2,307,500

11. Victoria Foundation – The Young Men's and Young Women's Christian Association of Victoria Endowment Fund:

The Young Men's and Young Women's Christian Association of Victoria Endowment Fund, was established with the Victoria Foundation, and managed for the benefit of the Association. This fund is held permanently by the Victoria Foundation and is not recorded on the statement of financial position. In the current year, grants of \$4,614 (2015 - \$4,257) were received and recorded as investment income.

At December 31, 2016, the market value of this fund was \$131,452 (2015 - \$124,294).

YMCA-YWCA OF VANCOUVER ISLAND, BRITISH COLUMBIA

Notes to Financial Statements

Year ended December 31, 2016

12. Financial risk and concentration of credit risk:

The Association is exposed to market and interest rate risk through its investment portfolio and floating rate debt.

The Association manages its investment portfolio to earn investment income and invests according to an investment policy approved by the Board. The Association is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

Investments that trade in foreign markets are exposed to currency risk as the price in local terms on the foreign stock exchange is converted to Canadian dollars to determine fair value. The Association's overall currency positions are monitored on a daily basis by the portfolio manager and exposure is limited by requirements of the Association's investment policy.

The Association believes that it is not exposed to significant credit or cash flow risk arising from its financial instruments.

The Association's long-term debt has a variable interest rate based on prime plus a margin. As a result, the Association is exposed to interest rate risk due to fluctuations in prime, as described in note 7.

Liquidity risk is the risk that the Association will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Association manages its liquidity risk by monitoring its operating requirements. The Association prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There has been no change in the risk exposure from 2015.

YMCA-YWCA OF VANCOUVER ISLAND, BRITISH COLUMBIA

Notes to Financial Statements

Year ended December 31, 2016

13. Westshore developments:

(a) Langford:

The Association signed a lease agreement on February 7, 2013 with a development company to lease a recreation facility constructed by the development company in the City of Langford. The annual basic rent cost of the lease starts at \$1,140,000 and escalates over the 25 year term of the lease.

In 2014, the Association paid deposits of \$250,000 to the development company. The deposits are non-refundable however can be applied to future lease payments if certain conditions are met.

On February 7, 2013, the Association signed a services agreement with the City of Langford (the "City") to provide services to the City operating a community recreation centre. The City agreed to purchase the operating services for an annual payment of \$750,000 which may increase every two years by an amount equal to the percentage increase in the population of the City during that period to a maximum of \$950,000 annually. The term of the agreement is 25 years and commenced on March 1, 2016 with lease payments beginning on May 1, 2016, two months after the completion date of the new recreation facility.

On December 17, 2014, the Association signed a 10 year lease agreement for office space in the Langford facility. The annual basic rent cost of the lease starts at \$51,192 and escalates over the 10 year term.

In 2016, the Association paid deposits of \$33,858 to the development company related to the office space lease. The deposits are non-refundable however can be applied to future lease payments if certain conditions are met. The term of this lease commenced on May 1, 2016.

(b) View Royal:

The Association signed a lease agreement on December 4, 2013 with a development company to lease space for a daycare and a health and fitness center constructed by the development company in the Town of View Royal. In 2014 the Association paid a deposit of \$35,833 to the development company of which a portion was applied against the first month's rent and a portion held as a security deposit. The annual basic rent cost of the lease starts at \$190,000 and escalates over the 10 year term. The lease commenced on May 7, 2016.

(c) Interfund transfer of the Westshore Fund balance:

Over the period of development of the Westshore facilities the Westshore Fund has tracked restricted contributions and expenses related to the Westshore development activities. Upon commencement of operations at the newly developed facilities, the fund balance of the Westshore fund of \$551,676 was transferred to the General Fund.

YMCA-YWCA OF VANCOUVER ISLAND, BRITISH COLUMBIA

Notes to Financial Statements

Year ended December 31, 2016

14. Employee and contractor remuneration:

The BC Societies Act came into effect on November 28, 2016. The Act has a requirement for the disclosure in the financial statements of the remuneration of directors, employees and contractors for financial statements prepared after November 28, 2016. For employee and contractor remuneration, the requirement is to disclose amounts paid to individuals whose remuneration was greater than \$75,000. For the fiscal year ending 2016, the Association paid total remuneration of \$ 643,285 to seven employees and contractors for services, each of whom received total annual remuneration of \$75,000 or greater.