



Financial Statements

YMCA-YWCA of Vancouver Island, British Columbia

December 31, 2017

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# Independent Auditors' Report

Grant Thornton LLP  
Suite 650  
1675 Douglas Street  
Victoria, BC  
V8W 2G5  
T +1 250 383 4191  
F +1 250 381 4623  
[www.GrantThornton.ca](http://www.GrantThornton.ca)

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

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, 2017, and the statements of operations and changes in fund balances, 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 auditor's 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 auditor considers 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 audit 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, 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, these accounting principles have been applied on a consistent basis with that of the preceding year.

### Other matter

The financial statements of YMCA-YWCA of Vancouver Island, British Columbia for the year ended December 31, 2016, were audited by another public accounting firm, who expressed an unqualified opinion on April 27, 2017 before the amendment described in Note 15.

### Emphasis of matter

As part of our audit of the 2017 financial statements, we also audited the adjustments described in Note 15 that were applied to amend the 2016 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2016 financial statements of the Association other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2016 financial statements taken as a whole.

Victoria, Canada  
June 12, 2018

*Grant Thornton LLP*

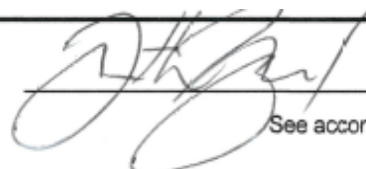
Chartered Professional Accountants

# YMCA-YWCA of Vancouver Island, British Columbia

## Statement of Financial Position

December 31	General Fund	Capital Fund	Endowment Fund	2017	2016
<b>Assets</b>					
<i>(Note 15)</i>					
<b>Current</b>					
Cash	\$ 769,795	\$ -	\$ -	\$ 769,795	\$ 3,854
Accounts receivable	54,650	-	-	54,650	134,089
Inventory	85,088	-	-	85,088	69,263
Prepaid expenses and supplies	12,509	-	-	12,509	16,565
	<u>922,042</u>	<u>-</u>	<u>-</u>	<u>922,042</u>	<u>223,771</u>
Capital assets (Note 3)	4,709,343	-	-	4,709,343	4,938,192
Investments (Note 4)	-	-	1,129,490	1,129,490	1,063,216
Cash surrender value of life insurance policies	-	-	42,700	42,700	40,547
Deposits	302,243	-	-	302,243	319,691
Due from (to) other funds	(420,412)	387,164	33,248	-	-
	<u>\$ 5,513,216</u>	<u>\$ 387,164</u>	<u>\$ 1,205,438</u>	<u>\$ 7,105,818</u>	<u>\$ 6,585,417</u>
<b>Liabilities</b>					
<b>Current</b>					
Bank indebtedness (Note 5)	\$ 4,214,400	\$ -	\$ -	\$ 4,214,400	\$ 2,373,544
Accounts payable and accrued liabilities (Note 6)	713,349	-	-	713,349	874,232
Deferred revenue (Note 7)	936,524	-	-	936,524	694,690
Current portion of amounts due to YMCA Canada (Note 9)	77,237	-	-	77,237	-
Demand loan (Note 8)	3,950,000	-	-	3,950,000	3,950,000
	<u>9,891,510</u>	<u>-</u>	<u>-</u>	<u>9,891,510</u>	<u>7,892,466</u>
Deferred lease liability	499,000	-	-	499,000	242,000
Due to YMCA Canada (Note 9)	43,923	-	-	43,923	-
	<u>10,434,433</u>	<u>-</u>	<u>-</u>	<u>10,434,433</u>	<u>8,134,466</u>
<b>Fund Balances</b>					
Unrestricted	(4,921,217)	-	-	(4,921,217)	(2,805,245)
Externally restricted	-	387,164	1,023,649	1,410,813	1,326,808
Internally restricted	-	-	181,789	181,789	171,388
	<u>(4,921,217)</u>	<u>387,164</u>	<u>1,205,438</u>	<u>(3,328,615)</u>	<u>(1,307,049)</u>
	<u>\$ 5,513,216</u>	<u>\$ 387,164</u>	<u>\$ 1,205,438</u>	<u>\$ 7,105,818</u>	<u>\$ 6,585,417</u>

On behalf of the Board:



Director



Director

See accompanying notes to the financial statements

# YMCA-YWCA of Vancouver Island, British Columbia

## Statement of Operations and Changes in Fund Balances

Year ended December 31

	Restricted Funds			2017	2016
	General Fund 2017	Campaign Fund 2017	Endowment Fund 2017		
Revenue					(Note 15)
Fees	\$ 9,132,141	\$ -	\$ -	\$ 9,132,141	\$ 6,074,159
Government funding (Note 10)	1,334,116	-	-	1,334,116	926,294
Gaming	99,960	-	-	99,960	100,025
Fundraising	718,705	26,914	2,650	748,269	308,650
Other revenue	134,854	-	-	134,854	72,907
Investment income	42,324	-	-	42,324	38,662
Unrealized gain on investments	-	-	68,427	68,427	43,854
	<u>11,462,100</u>	<u>26,914</u>	<u>71,077</u>	<u>11,560,091</u>	<u>7,564,551</u>
Expenses					
Salaries and benefits	7,086,251	-	-	7,086,251	5,856,388
Operations	1,191,648	-	-	1,191,648	1,163,574
Occupancy	2,749,403	-	-	2,749,403	1,873,180
Purchased services	942,400	-	-	942,400	818,176
Development activities	-	-	-	-	299,463
Amortization	403,691	-	-	403,691	398,884
Association dues	155,355	-	-	155,355	139,532
Interest and bank charges	509,895	-	-	509,895	268,440
Marketing and communications	149,415	-	-	149,415	183,574
Insurance	95,206	-	-	95,206	80,371
Bad debts	52,808	-	-	52,808	34,112
Scholarships	-	-	3,585	3,585	3,270
	<u>13,336,072</u>	<u>-</u>	<u>3,585</u>	<u>13,339,657</u>	<u>11,118,964</u>
(Deficiency) excess of revenue over expenses	(1,873,972)	26,914	67,492	(1,779,566)	(3,554,413)
Fund balances, beginning of year (as previously stated)	(2,805,245)	360,250	1,137,946	(1,307,049)	2,005,364
Prior period restatement (Note 15)	(242,000)	-	-	(242,000)	-
Fund balances, beginning of year (restated)	<u>(3,047,245)</u>	<u>360,250</u>	<u>1,137,946</u>	<u>(1,549,049)</u>	<u>2,005,364</u>
Fund balances, end of year	\$ <u>(4,921,217)</u>	\$ <u>387,164</u>	\$ <u>1,205,438</u>	\$ <u>(3,328,615)</u>	\$ <u>(1,549,049)</u>

See accompanying notes to the financial statements.

# YMCA-YWCA of Vancouver Island, British Columbia

## Statement of Cash Flows

Year ended December 31

2017

2016

Cash provided by (used in):

### Operations

(Deficiency) excess of revenue over expenses		
General Fund	\$ (1,873,972)	\$ (3,568,567)
Capital Campaign Fund	26,914	132,931
Westshore Fund	-	(168,276)
Endowment Fund	67,492	49,499
	<u>(1,779,566)</u>	<u>(3,554,413)</u>

Items not involving cash

Amortization of capital assets	403,691	398,884
Unrealized gain on investments	(66,274)	(43,854)
Increase in cash surrender value of life insurance policies	(2,153)	(1,590)

Changes in non-cash operating working capital

Accounts receivable	79,439	196,097
Inventory	(15,825)	(45,145)
Prepaid expenses and supplies	4,056	10,662
Accounts payable and accrued liabilities	(160,883)	211,361
Due to YMCA Canada	121,160	-
Deferred lease liability	257,000	242,000
Deferred revenue	241,834	(35,292)
	<u>(917,521)</u>	<u>(2,621,290)</u>

### Financing activities

Proceeds on demand loan	-	2,800,000
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### Investing activities

Redemption (payment) of deposits	17,448	(33,858)
Purchase of capital assets	(174,842)	(2,165,308)
	<u>(157,394)</u>	<u>(2,199,166)</u>

Decrease in cash (1,074,915) (2,020,456)

Cash and cash equivalents, beginning of year (2,369,690) (349,234)

Cash and cash equivalents, end of year \$ (3,444,605) \$ (2,369,690)

Cash is comprised of:

Cash	\$ 2,836	\$ 3,854
Donation Savings	766,959	-
Bank indebtedness	(4,214,400)	(2,373,544)
	<u>\$ (3,444,605)</u>	<u>\$ (2,369,690)</u>

See accompanying notes to the financial statements.

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# YMCA-YWCA of Vancouver Island, British Columbia

## Notes to the Financial Statements

December 31, 2017

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### 1. Purpose of the organization

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.

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### 2. Summary of significant accounting policies

#### Basis of presentation

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.

##### *Endowment Fund*

The Endowment Fund is established to record resources contributed for endowment. Other restricted funds are established as required.



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# YMCA-YWCA of Vancouver Island, British Columbia

## Notes to the Financial Statements

December 31, 2017

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### 2. Summary of 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:

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

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.

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# YMCA-YWCA of Vancouver Island, British Columbia

## Notes to the Financial Statements

December 31, 2017

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### 2. Summary of 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.

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 the Financial Statements

December 31, 2017

### 2. Summary of 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 expenses during the year. Actual results could differ from these estimates.

<b>3. Capital assets</b>		<u>2017</u>	<u>2016</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
Land	\$ 165,584	\$ -	\$ <b>165,584</b>	\$ 165,584
Buildings	4,286,527	3,597,566	<b>688,961</b>	770,677
Leasehold improvements	2,553,894	247,229	<b>2,306,665</b>	2,480,106
Cabins	637,324	168,613	<b>468,711</b>	509,351
Camp improvements	1,369,213	969,258	<b>399,955</b>	338,533
Camp site services infrastructure	24,309	2,160	<b>22,149</b>	22,959
Equipment	1,465,754	959,909	<b>505,845</b>	646,040
Software under development	151,473	-	<b>151,473</b>	4,942
	<u>\$ 10,654,078</u>	<u>\$ 5,944,735</u>	<u>\$ <b>4,709,343</b></u>	<u>\$ 4,938,192</u>

### 4. Investments

The following investments are recorded at fair value.

	<u>2017</u>	<u>2016</u>
Cash	\$ <b>25,639</b>	\$ 15,948
Fixed income	<b>403,793</b>	394,879
Canadian equities	<b>348,279</b>	328,608
International equities	<b>173,964</b>	153,638
U.S. equities	<u><b>177,815</b></u>	<u>170,143</u>
	<u>\$ <b>1,129,490</b></u>	<u>\$ 1,063,216</u>

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# YMCA-YWCA of Vancouver Island, British Columbia

## Notes to the Financial Statements

December 31, 2017

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### 5. 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 1.50% (2016: 0.50%). The maximum demand revolving loan available at December 31, 2017 is \$4,600,000. The credit facility used as at December 31, 2017 was \$4,214,400 (2016: \$2,373,544).

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### 6. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$69,090 (2016: \$117,826), which includes amounts payable for GST, payroll deductions and workers' compensation premiums.

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### 7. Deferred revenue

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

	<u>2017</u>	<u>2016</u>
Unearned grants	\$ 202,076	\$ 62,889
Bequests	145,625	138,885
Program revenue	427,241	313,976
Lease inducements	158,771	178,729
Miscellaneous	<u>2,811</u>	<u>211</u>
	<u>\$ 936,524</u>	<u>\$ 694,690</u>

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### 8. Demand loan

#### Vancouver City Savings Credit Union

Loan bearing interest at prime plus 1.50% per annum, with interest calculated and payable monthly. Amounts outstanding are due on demand

<u>\$ 3,950,000</u>	<u>\$ 3,950,000</u>
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Loans are secured by promissory notes and a General Security Agreement against all property of the Association.

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### 9. Due to YMCA Canada

Amounts due to YMCA Canada represents the Association's portion of costs incurred by YMCA Canada for Dynamics for Membership (DfM) system. According to the DfM Participation Agreement, the Association will pay YMCA Canada \$1,331 per month, plus \$7,658 in additional monthly payments from February to September 2018, until the balance is fully repaid in September 2021.

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# YMCA-YWCA of Vancouver Island, British Columbia

## Notes to the Financial Statements

December 31, 2017

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<b>10. Government funding</b>	<u>2017</u>	<u>2016</u>
Federal	\$ 26,237	\$ 27,163
Provincial	457,879	399,131
Municipal	<u>850,000</u>	<u>500,000</u>
	<b>\$ 1,334,116</b>	<b>\$ 926,294</b>

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### 11. Commitments

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

Office equipment, computer equipment and related services

2018	\$ 177,937
2019	68,380
2020	6,379
2021	<u>1,655</u>
	<b>\$ 254,351</b>

Fitness equipment

2018	\$ 187,655
2019	187,655
2020	81,369
2021	<u>11,485</u>
	<b>\$ 468,164</b>

Tecnet Canada Inc. three year management agreement

2018	\$ 112,200
2019	<u>37,400</u>
	<b>\$ 149,600</b>

Tricom Building Maintenance janitorial services contract

2018	<u>\$ 232,190</u>
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# YMCA-YWCA of Vancouver Island, British Columbia

## Notes to the Financial Statements

December 31, 2017

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### 11. Commitments (continued)

#### View Royal ten year lease

2018	\$	202,343
2019		212,838
2020		223,333
2021		233,828
2022		271,697
Thereafter		<u>952,495</u>

\$ 2,096,534

#### Langford ten year office lease

2018	\$	51,462
2019		52,941
2020		54,421
2021		58,859
2022		64,777
Thereafter		<u>226,445</u>

\$ 508,905

#### Langford twenty-five year lease

	<u>Future minimum lease payments</u>	<u>Future minimum service income</u>
2018	\$ 1,381,790	\$ 950,000
2019	1,472,897	950,000
2020	1,564,004	950,000
2021	1,579,188	950,000
2022	1,579,188	950,000
Thereafter	<u>27,523,931</u>	<u>17,100,000</u>
	\$ <u>35,100,998</u>	\$ <u>21,850,000</u>

On February 7, 2013, the Association signed a services agreement with the City of Langford (the "City") to operate a community recreation centre. The City currently pays an annual fee of \$950,000. The term of the agreement is 25 years and commenced on March 1, 2016 with lease payments beginning on May 1, 2016.

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# YMCA-YWCA of Vancouver Island, British Columbia

## Notes to the Financial Statements

December 31, 2017

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### 12. 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 \$4,863 (2016: \$4,614) were received and recorded as investment income.

At December 31, 2017, the market value of this fund was \$137,048 (2016: \$131,452).

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### 13. Remuneration

On November 28, 2016 the British Columbia Societies Act came into force. Included in the new Act is a requirement to disclose the remuneration paid to all directors, the ten highest paid employees and contractors who are paid at least \$75,000 annually.

During the year, the Society paid no remuneration to the Board of Directors.

During the year, the Society paid total remuneration of \$761,761 to eight employees and contractors for services, whose remuneration during the year was at least \$75,000.

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### 14. 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 8.

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 the prior year.

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# YMCA-YWCA of Vancouver Island, British Columbia

## Notes to the Financial Statements

December 31, 2017

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### 15. Prior period restatement

Management has determined that a restatement is required in the December 31, 2016 financial statements with respect to the application of ASPE 3065 Leases and the completeness of recording occupancy expenses and liabilities. For the period ended December 31, 2016, management has retroactively corrected the balances previously reported. The effect on the financial statements is as follows:

	<u>Increase</u>	<u>Decrease</u>
Deferred lease liability	\$ 242,000	
Deficiency of revenue over expenses		\$ 242,000
Occupancy costs expense	\$ 242,000	
Opening fund balance at January 1, 2017		\$ 242,000

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### 16. Subsequent event

Subsequent to year end, the Association decided to list its Downtown Victoria property for sale. The expected sale price is not determinable at this time, however, management expects that a completed sale will take place within the next 12 months.

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