

**The YMCA of
Hamilton/Burlington/Brantford
Financial Statements
For the year ended December 31, 2019**

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Independent Auditor's Report

**To the Members of
The YMCA of Hamilton/Burlington/Brantford**

Opinion

We have audited the financial statements of The YMCA of Hamilton/Burlington/Brantford (the "YMCA"), which comprise the statement of financial position as at December 31, 2019, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the YMCA as at December 31, 2019, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the YMCA in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the YMCA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the YMCA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the YMCA's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



Independent Auditor's Report (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 YMCA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the YMCA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the YMCA to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
May 26, 2020

**The YMCA of Hamilton/Burlington/Brantford
Statement of Financial Position**

December 31	2019	2018
Assets		
Current		
Cash and cash equivalents (Note 2)	\$ 2,534,330	\$ 1,339,289
Accounts receivable	1,078,874	3,658,732
Inventories and prepaid expenses	877,663	840,416
Restricted cash (Note 3)	1,005,856	1,415,600
Current portion of capital project receivables (Note 4)	261,166	1,097,435
Special program funds receivable (Note 5)	383,003	588,605
	6,140,892	8,940,077
Capital campaign pledges receivable	74,000	307,000
Investments (Note 6)	8,424,063	6,436,386
Capital assets (Note 4)	65,065,788	66,617,355
Intangible assets (Note 7)	-	1,438,364
Capital project receivables (Note 4)	1,305,561	1,566,727
	\$ 81,010,304	\$ 85,305,909
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 4)	\$ 5,765,711	\$ 4,671,502
Deferred revenue (Note 8)	935,436	3,674,058
Current portion of capital project payables (Note 4)	261,166	1,097,435
Current portion of long-term debt (Note 9)	889,413	819,319
Current portion of capital lease obligations (Note 10)	267,477	434,043
	8,119,203	10,696,357
Capital project payables (Note 4)	1,305,561	1,566,727
Long-term debt (Note 9)	2,280,007	3,169,596
Capital lease obligations (Note 10)	63,160	330,581
	11,767,931	15,763,261
Deferred capital contributions (Note 11)	40,547,226	42,132,513
Net assets		
Invested in endowment (Note 13)	7,136,206	5,278,877
Internally restricted (Note 14)	1,750,676	1,564,465
Invested in capital and intangible assets (Note 12)	22,495,182	23,067,094
General	(2,686,917)	(2,500,301)
	28,695,147	27,410,135
	\$ 81,010,304	\$ 85,305,909

On behalf of the Board:



Director



President & CEO

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

**The YMCA of Hamilton/Burlington/Brantford
Statement of Changes in Net Assets**

For the year ended December 31

	Invested in Endowment	Internally Restricted	Unrestricted		Total 2019	Total 2018
			Invested in Capital and Intangible Assets	General		
Balance, beginning of year	\$ 5,278,877	\$ 1,564,465	\$ 23,067,094	\$ (2,500,301)	\$ 27,410,135	\$ 25,340,952
Excess (deficiency) of revenue over expenses	-	-	(3,581,478)	4,866,490	1,285,012	2,069,183
Investment in capital and intangible assets	-	(481,364)	3,009,566	(2,528,202)	-	-
Transfers (Notes 13 and 14)	1,857,329	667,575	-	(2,524,904)	-	-
Balance, end of year	\$ 7,136,206	\$ 1,750,676	\$ 22,495,182	\$ (2,686,917)	\$ 28,695,147	\$ 27,410,135

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

**The YMCA of Hamilton/Burlington/Brantford
Statement of Operations**

For the year ended December 31	2019	2018
Revenue		
Child care fees	\$ 24,727,594	\$ 24,065,206
Membership fees	9,068,471	8,606,371
Program fees	7,019,617	7,100,828
Other	897,953	545,260
Purchase of service (Note 16)	16,442,995	15,443,984
Donations	1,812,245	2,304,210
United Way	244,793	261,331
Investment income	179,062	224,556
	60,392,730	58,551,746
Expenses		
Salaries and benefits	40,470,418	39,291,483
Program costs	8,422,223	7,790,195
Facility costs	7,419,880	7,075,420
Financing costs	147,339	181,577
Allocation to YMCA Canada	600,600	559,128
Other income (Note 14)	(667,575)	(639,538)
	56,392,885	54,258,265
Excess of revenue over expenses before the under noted	3,999,845	4,293,481
Amortization of capital assets	(3,313,644)	(3,290,125)
Amortization of deferred capital contributions	1,597,586	1,162,139
Gain on disposal of capital assets	-	165,629
Impairment of intangible asset (Note 7)	(1,865,420)	-
Fair value changes in investments	866,645	(261,941)
	(2,714,833)	(2,224,298)
Excess of revenue over expenses	\$ 1,285,012	\$ 2,069,183

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

The YMCA of Hamilton/Burlington/Brantford Statement of Cash Flows

For the year ended December 31	2019	2018
Cash and cash equivalents provided by (used in)		
Operating activities		
Excess of revenue over expenses	\$ 1,285,012	\$ 2,069,183
Items not affecting cash and cash equivalents		
Amortization of capital assets	3,313,644	3,290,125
Amortization of deferred capital contributions	(1,597,586)	(1,162,139)
Gain on disposal of capital assets	-	(165,629)
Fair value changes in investments	(866,645)	261,941
Impairment of intangible asset	1,865,420	-
Changes in non-cash working capital balances		
Accounts receivable	2,579,858	769,439
Inventories and prepaid expenses	(37,247)	(317,061)
Capital project receivables	1,097,435	3,311,337
Special program funds receivable	205,602	(82,328)
Accounts payable and accrued liabilities	1,094,209	(3,612,574)
Deferred revenue	(2,738,622)	148,876
Capital project payables	(1,097,435)	(3,311,337)
	<u>5,103,645</u>	<u>1,199,833</u>
Investing activities		
Capital asset purchases	(1,762,077)	(9,724,373)
Proceeds on disposal of capital assets	-	1,700,000
Intangible asset purchases	(427,056)	(613,350)
Endowment investment purchases	(1,121,032)	(1,266,798)
Proceeds from capital campaign pledges receivable	233,000	331,000
Proceeds from restricted cash	409,744	2,577,950
	<u>(2,667,421)</u>	<u>(6,995,571)</u>
Financing activities		
Capital contributions received/receivable	12,299	2,523,472
Repayment of long-term debt	(819,495)	(793,736)
Repayment of capital lease obligations	(433,987)	(374,028)
	<u>(1,241,183)</u>	<u>1,355,708</u>
Increase (decrease) in cash and cash equivalents	1,195,041	(4,440,030)
Cash and cash equivalents, beginning of year	1,339,289	5,779,319
Cash and cash equivalents, end of year	\$ 2,534,330	\$ 1,339,289

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

The YMCA of Hamilton/Burlington/Brantford

Notes to Financial Statements

December 31, 2019

1. Significant Accounting Policies

Nature of Business

The charitable mission and vision statements of The YMCA of Hamilton/Burlington/Brantford are:

Charitable Mission

The YMCA of Hamilton/Burlington/Brantford is a charitable organization helping people achieve personal growth in spirit, mind and body through participation and service to the community.

Vision

The YMCA of Hamilton/Burlington/Brantford will focus on healthy communities in which individuals and families have opportunities to reach their potential.

The YMCA of Hamilton/Burlington/Brantford was founded in 1856 and was incorporated under the Ontario Corporations Act without share capital in 1886. The YMCA is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

The YMCA's core offerings include provision of child care through 22 (2018 - 22) licensed pre-school childcare centres and 89 (2018 - 89) licensed before and after school programs throughout Hamilton, Burlington and Brantford. The YMCA operates 5 (2018 - 5) health, fitness and recreation centres and provides numerous community, outreach, settlement and newcomer services throughout the communities it serves.

Basis of Accounting

The financial statements of the YMCA have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue Recognition

Child care fees, membership fees and program fees are recognized over the related period of service. Purchase of service and general operating grants are recorded as revenue when the service is provided.

The YMCA follows the deferral method of accounting for contributions and donations.

Unrestricted revenues, including donations, are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions relating to the purchase of amortizable capital assets are amortized on the same basis as the related assets.

Deferred capital contributions related to capital assets represent the unamortized and unallocated amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

Endowment donations are recognized as revenue during the year. Investment income (losses) of the assets of the endowment net asset balance are added to the endowment. The Board of Directors has approved a transfer of these amounts from general net assets to net assets invested in endowment. The endowment donations are administered by the YMCA's Endowment Fund Committee.

The YMCA of Hamilton/Burlington/Brantford

Notes to Financial Statements

December 31, 2019

1. Significant Accounting Policies (continued)

Revenue Recognition (continued)

The Association runs a Strong Kids Annual Giving Program campaign to raise much needed resources to support proven YMCA programs that give kids the opportunities they need to reach their full potential. A portion of the donations received that are intended for programs that will occur subsequent to year end are deferred. The revenue related to Strong Kids Annual Giving Program is included in donations revenue on the statement of operations.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit with financial institutions and money market funds that are readily convertible to cash.

Inventories

Inventories include maintenance, program and office supplies and are measured at the lower of cost and net realizable value.

Capital Campaign Pledges Receivable

Capital campaign pledges are recorded as an asset when there is a written pledge, the amount to be received can be reasonably estimated and collection is reasonably assured. Actual amounts collected could differ from the amounts recorded.

Leased Assets

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value. All other leases are accounted for as operating leases wherein rental payments are expensed on a straight-line basis.

Capital Assets

Capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset are capitalized. When capital assets no longer contribute to the YMCA's ability to provide services, the carrying amount is written down to net realizable value.

Capital assets are amortized on a straight-line basis at the following annual rates:

Buildings	-	30 to 40 years
Fixtures and equipment	-	3 to 5 years

Building additions are amortized over the remaining life of the related building. Projects in progress are not amortized as the assets are not in use. Fixtures and equipment recorded under capital leases are amortized on a straight-line basis over the term of the lease, which is the estimated useful life of the assets.

The YMCA of Hamilton/Burlington/Brantford

Notes to Financial Statements

December 31, 2019

1. Significant Accounting Policies (continued)

Intangible Assets

Purchased intangible assets are initially recorded at cost. As the Dynamics for Membership IT system is no longer planned to be utilized by the Association it has been written down during the year to its estimated fair value.

Deferred Revenue

Membership and program fees received before December 31 that relate to member privileges and programs for the time periods after December 31 are deferred to the following year and disclosed as deferred revenue on the statement of financial position.

Special Program Funds Receivable/Unexpended

The YMCA operates various special programs which are funded by specifically designated provincial, federal and municipal grants. To the extent such grants are unspent at December 31, they are disclosed as special program funds unexpended on the statement of financial position. To the extent such grants received are in deficiency of amounts expended at December 31, they are disclosed as special program funds receivable on the statement of financial position.

Third Party Programs

The YMCA administers third party programs for which they receive funds to carry out the programs. As the YMCA is considered the agent in the transaction, amounts have been recorded on a net basis. During the year, approximately \$234,000 (2018 - \$215,000) of revenue and expenditures were incurred with respect to the administration of third party programs.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities, fixed income and pooled fund investments (included in investments) traded in an active market and RBC Investments Savings Account Series A money market funds (included in cash and cash equivalents) are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Foreign Currency Translation

Foreign currency transactions are translated at the rates of exchange in effect at the dates of the transaction. Resulting foreign currency denominated monetary assets and liabilities are translated at the rates of exchange in effect at the statement of financial position date. Gains and losses on translation of monetary assets and liabilities are included in net income.

The YMCA of Hamilton/Burlington/Brantford Notes to Financial Statements

December 31, 2019

1. Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Management's estimates and assumptions used in determining amortization methods and rates and useful life of capital assets and intangible assets are reviewed annually and are based on management's best estimates. These estimates are subject to measurement uncertainty, and the effect on the financial statements in future periods could be significant.

2. Cash and Cash Equivalents

	2019	2018
Cash	\$ 1,051,642	\$ 1,308,951
Money market funds	1,482,688	30,338
	\$ 2,534,330	\$ 1,339,289

3. Restricted Cash

Included in restricted cash are externally restricted amounts to be expended on the Laurier Brantford YMCA capital project (Note 4).

	2019	2018
Government of Ontario's Strategic Investments Fund	\$ 198,112	\$ 494,273
Other externally restricted cash	807,744	921,327
	\$ 1,005,856	\$ 1,415,600

The YMCA of Hamilton/Burlington/Brantford Notes to Financial Statements

December 31, 2019

4. Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 6,739,687	\$ -	\$ 6,739,687	\$ -
Buildings	76,551,326	22,110,169	76,431,093	20,339,510
Fixtures and equipment	7,201,953	3,865,471	6,627,475	3,043,717
Projects in progress	548,462	-	202,327	-
	91,041,428	25,975,640	90,000,582	23,383,227
Net book value		\$ 65,065,788		\$ 66,617,355

During the year, the YMCA purchased capital assets of \$1,762,077 (2018 - \$10,033,363) of which \$1,580,481 (2018 - \$3,725,286) are included in accounts payable and accrued liabilities and capital project payable balances at year end. Included in the purchase of capital assets are assets financed by capital leases in the amount of \$Nil (2018 - \$308,990).

Projects in progress relate to incurred costs of a Wanakita renovation.

In the fall of 2018 an athletic and recreation complex jointly developed by Wilfrid Laurier University ("Laurier") and the YMCA was opened. Included in the YMCA's accounts payable and accrued liabilities are \$NIL (2018 - \$1,009,216) of development expenses payable to Laurier at year end. Also, the YMCA's capital project payables balance of \$1,566,727 (2018 - \$2,664,162) consists of development expenses payable to Laurier at year end and relate to the contributions from the Government of Canada and the City of Brantford.

Contributions from the Government of Canada and the City of Brantford are receivable in accordance with the terms and conditions of the agreements. Capital project receivables in the statement of financial position consist of amounts from:

	2019	2018
Government of Canada	\$ -	\$ 836,269
City of Brantford	1,566,727	1,827,893
	1,566,727	2,664,162
Less: Current portion	261,166	1,097,435
	\$ 1,305,561	\$ 1,566,727

**The YMCA of Hamilton/Burlington/Brantford
Notes to Financial Statements**

December 31, 2019

5. Special Program Funds Receivable

	2019	2018
Funding in deficiency of amounts expended	\$ 1,093,721	\$ 1,144,893
Less: Funding received unexpended	(710,718)	(556,288)
Special program funds receivable	\$ 383,003	\$ 588,605

6. Investments

	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Equities	\$ 6,224,629	\$ 5,045,511	\$ 4,660,585	\$ 4,354,707
Fixed income	1,576,191	1,558,020	1,199,628	1,190,878
Pooled funds	478,320	478,320	436,580	436,580
Cash	144,923	144,923	139,593	139,593
	\$ 8,424,063	\$ 7,226,774	\$ 6,436,386	\$ 6,121,758

The effective interest rate on fixed income securities during the year varied from 2.00% to 3.60%. The maturities of these securities range from 2020 to 2026.

The investments are monitored by the YMCA Endowment Fund Committee for compliance with the YMCA's Statement of Investment Policy.

Subsequent to year end, due to the volatility in the markets caused by the global impacts of COVID-19, the fair market value of the YMCA's investments at the approval date of these financial statements declined from the December 31, 2019 fair value above. No fair market value adjustment has been recorded for this temporary decline as management believes this decrease in fair market value is temporary and not a permanent impairment of the investments.

The YMCA of Hamilton/Burlington/Brantford Notes to Financial Statements

December 31, 2019

7. Intangible Assets

	2019	2018
Membership IT system, beginning of the year	\$ 1,438,364	\$ 825,014
Plus: amounts spent during the year	427,056	613,350
Less: write down to fair market value	(1,865,420)	-
Membership IT system, end of year	\$ -	\$ 1,438,364

The YMCA's Dynamics for Membership IT system relates to costs incurred for the development and implementation of a modular Enterprise Resource Planning (ERP) system. YMCAs across the country agreed there was a need for a single solution that would modernize business practices, enable mobile-based functionality and support the collection and use of data. During implementation, the YMCA concluded that the system will not meet their requirements. As the YMCA no longer plans to utilize the system, it has been written down during the year to its estimated fair value.

8. Deferred Revenue

	2019	2018
Child care fees	\$ 44,926	\$ 89,150
Donations	440,794	130,269
Membership fees	391,286	378,173
Program fees	58,430	3,076,466
	\$ 935,436	\$ 3,674,058

9. Long-term Debt and Bank Facilities

	2019	2018
Bank loan, interest at 3.45% per annum, repayable in monthly blended payments of principal and interest of \$30,787, due December 2022	\$ 1,378,957	\$ 1,695,085
Bank loan, interest at 2.98% per annum, repayable in monthly blended payments of principal and interest of \$47,075, due April 2022	1,790,463	2,293,830
	3,169,420	3,988,915
Less: Current portion	889,413	819,319
	\$ 2,280,007	\$ 3,169,596

The YMCA of Hamilton/Burlington/Brantford Notes to Financial Statements

December 31, 2019

9. Long-term Debt and Bank Facilities (continued)

Principal repayments for the next three years are as follows:

2020	\$	889,413
2021		828,625
2022		<u>1,451,382</u>
	\$	<u>3,169,420</u>

In addition to the above, the following facilities are also available to the YMCA:

A revolving lease line of credit, to a maximum of \$1,500,000 (2018 - \$1,500,000). As at year end, the amount drawn on this facility was \$330,637 (2018 - \$764,624) (Note 10).

A revolving operating line, to a maximum of \$500,000 (2018 - \$500,000), bearing interest at prime plus 0.5% (2018 - prime plus 0.5%). This facility had no advances outstanding as at December 31, 2019.

All of the above facilities are secured by a general security agreement, and collateral mortgages of \$7,300,000 on three properties owned by the YMCA.

10. Capital Lease Obligations

	2019	2018
Obligations under capital lease:		
- with interest rate of 2.98%, maturing February 2020	\$ 13,597	\$ 173,435
- with interest rate of 3.36%, maturing November 2020	149,219	322,869
- with interest rate of 4.12%, maturing August 2021	<u>167,821</u>	<u>268,320</u>
	330,637	764,624
Less: Current portion	<u>267,477</u>	<u>434,043</u>
	<u>\$ 63,160</u>	<u>\$ 330,581</u>

The obligations are secured by fixtures and equipment with a net book value of \$541,767 (2018 - \$881,250).

Minimum lease payments due with respect to the obligations under capital lease are as follows:

2020	\$	285,590
2021		<u>66,550</u>
Total minimum lease payments		352,140
Less: Imputed interest		<u>(21,503)</u>
	\$	<u>330,637</u>

The YMCA of Hamilton/Burlington/Brantford Notes to Financial Statements

December 31, 2019

11. Deferred Capital Contributions

Restricted capital contributions are amortized on the same basis as the underlying capital assets.

	2019	2018
Balance, beginning of year	\$ 42,132,513	\$ 40,771,180
Add: Contributions received and receivable	12,299	2,523,472
Less: Contributions recognized as revenue	(1,597,586)	(1,162,139)
	\$ 40,547,226	\$ 42,132,513

The balance of deferred capital contributions related to capital assets consists of the following:

	2019	2018
Unamortized capital contributions	\$ 40,076,405	\$ 41,650,686
Unallocated contributions	470,821	481,827
	\$ 40,547,226	\$ 42,132,513

12. Net Assets Invested in Capital and Intangible Assets

	2019	2018
Capital assets, net	\$ 65,065,788	\$ 66,617,355
Intangible assets, net	-	1,438,364
Restricted cash	1,005,856	1,415,600
Capital lease obligations	(330,637)	(764,624)
Long-term debt related to capital assets	(3,169,420)	(3,988,915)
Deferred capital contributions - unamortized	(40,076,405)	(41,650,686)
	\$ 22,495,182	\$ 23,067,094

13. Net Assets Invested in Endowment

The amounts invested in endowments are internally restricted investment funds that are to be used for programs run by the YMCA at the discretion of the Board of Directors.

	2019	2018
Investments	\$ 8,424,063	\$ 6,436,386
Less: Investments in unrestricted net assets	(1,287,857)	(1,157,509)
	\$ 7,136,206	\$ 5,278,877

The YMCA of Hamilton/Burlington/Brantford Notes to Financial Statements

December 31, 2019

13. Net Assets Invested in Endowment (continued)

The amount transferred from general net assets to net assets invested in endowment during the year is comprised of:

	2019	2018
Investment income	\$ 169,360	\$ 192,572
Donations	1,010,000	1,143,782
Fair value changes in investments	866,645	(261,941)
Investment management fees	(51,676)	(44,639)
Transfer to general net assets	(137,000)	(115,000)
	\$ 1,857,329	\$ 914,774

During the year, the Board of Directors approved a transfer of \$137,000 (2018 - \$115,000) from net assets invested in endowment to general net assets to support programs of the YMCA.

14. Net Assets Internally Restricted

The internally restricted balance includes funds for capital projects at Wanakita, YMCA Strong Kids dollars reserved for funding assistance needs, and funding of future child care wages, all reserved via Board of Director's approval.

During the year, the Board of Directors approved a transfer of commodity tax rebates of \$667,575 (2018 - \$639,538) from general net assets to net assets internally restricted. Also, the Board of Directors approved expenditures throughout the year of \$481,364 (2018 - \$637,314) on the Wanakita renovation project from net assets internally restricted.

15. Commitments

Future minimum payments under operating leases with terms in excess of one year are as follows:

2020	\$ 1,224,242
2021	260,707
2022	168,819
2023	56,126
2024	12,433

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16. Purchase of Service

Purchase of service revenue consists of amounts received and receivable from federal, provincial and municipal governments relating to programs and services provided by the YMCA.

	2019	2018
Contracted programs		
Special program funding received and receivable from federal and provincial governments to operate programs related to:		
- Employment services	\$ 5,402,263	\$ 4,997,633
- Education and training	473,557	499,807
- Immigrant services	3,239,497	3,241,955
- Community initiatives	757,860	580,885
	9,873,177	9,320,280
Subsidies and grants		
Child care General Operating Grant and Wage Enhancement Grants:		
- Region of Halton	1,760,380	1,705,783
- The City of Hamilton	1,788,106	1,608,965
- The City of Brantford	1,799,332	1,818,138
	5,347,818	5,132,886
Child care System Priorities Grants:		
- Region of Halton	218,431	120,110
- The City of Hamilton	112,819	395,724
- The City of Brantford	364,548	151,779
	695,798	667,613
Other	526,202	323,205
	\$ 16,442,995	\$ 15,443,984

17. Employee Future Benefits

The YMCA makes matching contributions to a defined contribution pension plan for its employees. Total pension expense in the financial statements is \$891,709 (2018 - \$892,539).

The YMCA has no obligations in excess of the contributions discussed above, as it does not have any defined benefit pension plans.

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18. Financial Instruments

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 is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations. The YMCA's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts receivable, capital campaign pledges receivable and capital project receivable balances. This risk has not changed from the prior year.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The YMCA's exposure to this risk arises primarily from long-term debt with fixed interest rates. This risk has not changed from the prior year.

Liquidity Risk

Liquidity risk is the risk that the YMCA encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the YMCA will not have sufficient funds to settle a transaction on a due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from the YMCA's accounts payable and accrued liabilities, capital project payables, long-term debt and commitments. This risk has not changed from the prior year.

Market Risk

Market risk arises from the possibility that changes in market prices will affect the level of investments held by the YMCA. The YMCA is exposed to market risk through its investment in money market funds, pooled fund investments and equities. This risk has not changed from the prior year.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Investments in equities and pooled funds of \$2,611,239 (2018 - \$1,812,057) were held in US dollars and converted into Canadian dollars at year end. The YMCA considers this risk to be acceptable and therefore does not hedge its foreign exchange rate risks. This risk has not changed from the prior year.

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19. Subsequent Event

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. The global pandemic has disrupted economic activities and has resulted in the YMCA implementing a system-wide closure of our Health, Fitness and Aquatics facilities, childcare programs, and other programming and services. As a result of the cancellation of 2020 overnight camps and programs, the YMCA's deferred revenue has decreased by \$3,313,700, accounts receivable has decreased by \$2,129,000 and accounts payable and accrued liabilities has increased by \$1,184,700 as at December 31, 2019.

Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonably estimated at this time. The YMCA is managing cash flows, taking reasonable and necessary steps to minimize expenses during the closure and taking advantage of government incentives and opportunities.

