# The YMCA of Hamilton/Burlington/Brantford

## Financial Statements

**For the year ended December 31, 2017**

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## Financial Statements
**For the year ended December 31, 2017**

**Contents**

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# Independent Auditor's Report

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

We have audited the accompanying financial statements of The YMCA of Hamilton/Burlington/Brantford (the "YMCA"), which comprise the statement of financial position as at December 31, 2017, and the statements of changes in net assets, operations 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.

**Auditor's 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 YMCA'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 YMCA's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of The YMCA of Hamilton/Burlington/Brantford 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Burlington, Ontario
May 29, 2018

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

| December 31 | 2017 | 2016 |
|---|---|---|
| **Assets** | | |
| **Current** | | |
| Cash and cash equivalents (Note 2) | **$ 5,779,319** | $ 5,421,997 |
| Accounts receivable (Note 3) | **4,428,171** | 2,612,170 |
| Inventories and prepaid expenses | **523,355** | 498,656 |
| Current portion of restricted cash (Note 4) | **3,993,550** | 811,036 |
| Current portion of capital project receivables (Note 5) | **3,008,750** | 536,159 |
| Special program funds receivable (Note 6) | **506,277** | - |
| | **18,239,422** | 9,880,018 |
| **Capital campaign pledges receivable** | **638,000** | 944,667 |
| **Restricted cash** (Note 4) | **-** | 6,140,625 |
| **Investments** (Note 7) | **5,431,529** | 5,078,718 |
| **Capital assets** (Note 5) | **61,408,488** | 49,331,353 |
| **Intangible assets** (Note 8) | **825,014** | - |
| **Capital project receivables** (Note 5) | **2,966,749** | 1,506,526 |
| | **$ 89,509,202** | $ 72,881,907 |
| **Liabilities** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | **$ 8,284,076** | $ 5,699,765 |
| Deferred revenue (Note 9) | **3,525,182** | 3,142,430 |
| Special program funds unexpended (Note 6) | **-** | 295,145 |
| Current portion of capital project payables (Note 5) | **3,008,750** | 536,159 |
| Current portion of long-term debt (Note 10) | **794,443** | - |
| Current portion of capital lease obligations (Note 11) | **333,358** | 351,632 |
| | **15,945,809** | 10,025,131 |
| **Capital project payables** (Note 5) | **2,966,749** | 1,506,526 |
| **Long-term debt** (Note 10) | **3,988,208** | - |
| **Capital lease obligations** (Note 11) | **496,304** | 338,865 |
| | **23,397,070** | 11,870,522 |
| **Deferred capital contributions** (Note 12) | **40,771,180** | 36,861,980 |
| **Net assets** | | |
| Invested in capital/intangible assets (Note 13) | **26,007,458** | 19,994,251 |
| Invested in endowment (Note 14) | **4,364,103** | 4,116,491 |
| Internally restricted (Note 15) | **1,562,241** | 2,458,369 |
| Unrestricted | **(6,592,850)** | (2,419,706) |
| | **25,340,952** | 24,149,405 |
| | **$ 89,509,202** | $ 72,881,907 |

On behalf of the Board:

_______________ Director _______________ Director

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 Capital and Intangible Assets | Invested in Endowment | Internally Restricted | Unrestricted | Total 2017 | Total 2016 |
|---|---|---|---|---|---|---|
| **Balance,** beginning of year | $ 19,994,251 | $ 4,116,491 | $ 2,458,369 | $ (2,419,706) | $ 24,149,405 | $ 22,472,407 |
| **Excess (deficiency) of revenue over expenses** | (1,659,327) | - | - | 2,850,874 | 1,191,547 | 1,676,998 |
| **Investment in capital and intangible assets** | 7,672,534 | - | (1,539,612) | (6,132,922) | - | - |
| **Transfers** (Notes 14 and 15) | - | 247,612 | 643,484 | (891,096) | - | - |
| **Balance**, end of year | $ 26,007,458 | $ 4,364,103 | $ 1,562,241 | $ (6,592,850) | $ 25,340,952 | $ 24,149,405 |

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 | 2017 | 2016 |
|---|---|---|
| **Revenue** | | |
| Child care fees | **$ 21,793,026** | $ 20,342,686 |
| Membership fees | **8,686,188** | 9,063,164 |
| Program fees | **6,764,373** | 6,519,795 |
| Other | **541,260** | 468,816 |
| Purchase of service (Note 17) | **14,490,893** | 13,776,924 |
| Contributions | **1,240,304** | 1,237,215 |
| United Way | **293,943** | 318,391 |
| Investment income | **147,944** | 284,927 |
| | **53,957,931** | 52,011,918 |
| **Expenses** | | |
| Salaries and benefits | **37,237,440** | 36,204,441 |
| Program costs | **7,319,969** | 6,894,792 |
| Facility costs | **6,766,788** | 6,356,004 |
| Financing costs | **96,458** | 23,784 |
| Allocation to YMCA Canada | **540,820** | 545,620 |
| Other income (Note 15) | **(643,484)** | (741,144) |
| | **51,317,991** | 49,283,497 |
| **Excess of revenue over expenses before the under noted** | **2,639,940** | 2,728,421 |
| Amortization of capital assets | **(2,620,940)** | (2,425,890) |
| Amortization of deferred capital contributions | **961,613** | 1,003,258 |
| Fair value changes in investments | **210,934** | 371,209 |
| | **(1,448,393)** | (1,051,423) |
| **Excess of revenue over expenses** | **$ 1,191,547** | $ 1,676,998 |

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 | 2017 | 2016 |
|---|---|---|
| **Cash and cash equivalents provided by (used in)** | | |
| **Operating activities** | | |
| Excess of revenue over expenses | **$ 1,191,547** | $ 1,676,998 |
| Items not affecting cash and cash equivalents | | |
| Amortization of capital assets | **2,620,940** | 2,425,890 |
| Amortization of deferred capital contributions | **(961,613)** | (1,003,258) |
| Fair value changes in investments | **(210,934)** | (371,209) |
| Changes in non-cash working capital balances | | |
| Accounts receivable | **(1,816,001)** | (755,094) |
| Inventories and prepaid expenses | **(24,699)** | 28,612 |
| Capital project receivables | **(3,932,814)** | 504,188 |
| Accounts payable and accrued liabilities | **2,584,311** | 2,125,452 |
| Deferred revenue | **382,752** | 874,714 |
| Special program funds receivable/unexpended | **(801,422)** | 126,203 |
| Capital project payables | **3,932,814** | (504,188) |
| | **2,964,881** | 5,128,308 |
| **Investing activities** | | |
| Capital asset purchases | **(14,179,833)** | (9,031,803) |
| Intangible asset purchases | **(825,014)** | - |
| Endowment investment purchases | **(141,877)** | (112,326) |
| Change in capital campaign pledges receivable | **306,667** | (461,301) |
| Change in restricted cash | **2,958,111** | 960,776 |
| | **(11,881,946)** | (8,644,654) |
| **Financing activities** | | |
| Capital contributions received/receivable | **4,870,813** | 3,321,338 |
| Proceeds from long-term debt | **5,100,000** | - |
| Repayment of long-term debt | **(317,349)** | - |
| Repayment of capital lease obligations | **(379,077)** | (394,719) |
| | **9,274,387** | 2,926,619 |
| **Increase (decrease) in cash and cash equivalents** | **357,322** | (589,727) |
| **Cash and cash equivalents**, beginning of year | **5,421,997** | 6,011,724 |
| **Cash and cash equivalents**, end of year | **$ 5,779,319** | $ 5,421,997 |

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

**December 31, 2017**

## 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 21 (2016 - 21) licensed pre-school childcare centres and 86 (2016 - 84) licensed before and after school programs throughout Hamilton, Burlington and Brantford. The YMCA operates 5 (2016 - 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.

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 contributions 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 unrestricted net assets to net assets invested in endowment. The endowment contributions are administered by the YMCA's Endowment Fund Committee.

## 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 contributions 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 contributions 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.

## 1. Significant Accounting Policies (Continued)

### Intangible Assets

Purchased intangible assets are initially recorded at cost. As the Dynamics for Membership IT system is currently under development and has yet to be implemented by the YMCA, amortization has not been recorded in the current year. In subsequent years, the intangible assets with a finite useful life will be amortized over their estimated useful life.

### 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 $330,000 (2016 - $677,000) 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.

## 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 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

| | **2017** | 2016 |
|---|---|---|
| Cash | **$ 2,521,058** | $ 232,111 |
| Money market funds | **3,258,261** | 5,189,886 |
| | **$ 5,779,319** | $ 5,421,997 |

## 3. Accounts Receivable

Included in accounts receivable are government remittances receivable of $1,810,331 (2016 - $7,273).

## 4. Restricted Cash

Included in restricted cash are externally restricted amounts for eligible costs relating to the Laurier Brantford YMCA capital project (Note 5).

| | **2017** | 2016 |
|---|---|---|
| Government of Ontario's Strategic Investments Fund | **$ 3,080,667** | $ 6,041,194 |
| Other externally restricted cash | **912,883** | 910,467 |
| Less: Current portion of restricted cash | **(3,993,550)** | (811,036) |
| | **$ -** | $ 6,140,625 |

The current portion of the restricted cash represents development expenditures expected to be incurred during the upcoming fiscal year that are to be funded by the Government of Ontario and other externally restricted cash.

## 5. Capital Assets

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | **Cost** | **Accumulated Amortization** | Cost | Accumulated Amortization |
| Land | **$ 1,887,045** | **$ -** | $ 1,887,045 | $ - |
| Buildings | **47,823,433** | **18,990,880** | 48,010,814 | 17,694,321 |
| Fixtures and equipment | **5,801,812** | **3,088,771** | 5,309,482 | 2,406,412 |
| Projects in progress | **27,975,849** | **-** | 14,224,745 | - |
| | **83,488,139** | **22,079,651** | 69,432,086 | 20,100,733 |
| Net book value | | **$ 61,408,488** | | $ 49,331,353 |

During the year, the YMCA purchased capital assets of $14,698,075 (2016 - $9,498,729) of which $10,829,901 (2016 - $4,177,754) 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 $518,242 (2016 - $466,926).

Projects in progress relate to incurred costs of a Wanakita renovation of $2,769,357 (2016 - $1,229,745).

Also included in projects in progress is $25,206,492 (2016 - $12,995,000) relating to the design, site preparation and construction of the capital project in Brantford. This amount represents fifty percent of the total expenditures incurred under the joint development agreement between Wilfrid Laurier University ("Laurier") and the YMCA dated June 28, 2013. Under the agreement, both parties have agreed to jointly develop and operate an athletic and recreation complex in Brantford and are equally and severally liable under each of the project contracts entered into. Laurier shall be responsible for the payment of development expenses as agreed upon in the agreement and provide a monthly report of activity to the YMCA. The capital project has an anticipated opening date of Fall 2018.

Funds shall be transferred to Laurier at appropriate times upon approval from the YMCA to fund the payment of the development expenses. Included in the YMCA's accounts payable and accrued liabilities are $4,535,194 (2016 - $1,781,105) of development expenses payable to Laurier at year end. Also, the YMCA's capital project payables balance of $5,975,499 (2016 - $2,042,685) 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:

| | **2017** | 2016 |
|---|---|---|
| Government of Canada | **$ 4,329,608** | $ 1,199,929 |
| City of Brantford | **1,645,891** | 842,756 |
| | **5,975,499** | 2,042,685 |
| Less: Current portion | **3,008,750** | 536,159 |
| | **$ 2,966,749** | $ 1,506,526 |

**December 31, 2017**

## 6. Special Program Funds Receivable/Unexpended

| | **2017** | 2016 |
|---|---|---|
| Funding in deficiency of amounts expended | **$ 1,138,758** | $ 862,382 |
| Less: Funding received unexpended | **(632,481)** | (1,157,527) |
| Special program funds receivable (unexpended) | **$ 506,277** | $ (295,145) |

## 7. Investments

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | **Fair Value** | **Cost** | Fair Value | Cost |
| Equities | **$ 4,312,901** | **$ 3,623,102** | $ 4,108,699 | $ 3,593,859 |
| Fixed income | **914,342** | **905,888** | 762,324 | 753,551 |
| Pooled funds | **50,891** | **50,891** | 82,243 | 82,243 |
| Cash | **153,395** | **153,395** | 125,452 | 125,452 |
| | **$ 5,431,529** | **$ 4,733,276** | $ 5,078,718 | $ 4,555,105 |

The effective interest rate on fixed income securities during the year varied from 1.75% to 3.10%. The maturities of these securities range from 2018 to 2022.

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

## 8. Intangible Assets

| | **2017** | | 2016 | |
|---|---|---|---|---|
| | **Cost** | **Accumulated Amortization** | Cost | Accumulated Amortization |
| Dynamics for Membership IT system | **$ 825,014** | **$ -** | $ - | $ - |

The YMCA's Dynamics for Membership IT system relates to costs incurred for the development and implementation of a national Enterprise Resource Planning (ERP) system, in conjuction with the majority of the YMCAs across Canada. As the system is currently being developed and has yet to be implemented, no amortization has been recorded during the year. Management estimates the IT system being completed in 2018. The future costs committed to by the YMCA relating to the development and implementation of the IT system are disclosed in Note 16.

## 9. Deferred Revenue

| | 2017 | 2016 |
|---|---|---|
| Child care fees | **$ 53,367** | $ 49,066 |
| Contributions | **264,505** | 168,513 |
| Membership fees | **401,318** | 426,113 |
| Program fees | **2,805,992** | 2,498,738 |
| | **$ 3,525,182** | $ 3,142,430 |

## 10. Long-term Debt and Bank Facilities

| | 2017 | 2016 |
|---|---|---|
| Bank loan, interest at 3.45% per annum, repayable in monthly blended payments of principal and interest of $30,787, due December 2022 | **$ 2,000,000** | $ - |
| Bank loan, interest at 2.98% per annum, repayable in monthly blended payments of principal and interest of $47,075, due April 2022 | **2,782,651** | - |
| | **4,782,651** | - |
| Less: Current portion | **794,443** | - |
| | **$ 3,988,208** | $ - |

Principal repayments for the next five years are as follows:

| | |
|---|---|
| 2018 | $ 794,443 |
| 2019 | 819,319 |
| 2020 | 889,413 |
| 2021 | 828,625 |
| 2022 | 1,450,851 |
| | $ 4,782,651 |

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 (2016 - $1,000,000). As at year end, the amount drawn on this facility was $829,662 (2016 - $690,497) (Note 11).

A revolving operating line, to a maximum of $500,000 (2016 - $500,000), bearing interest at prime plus 0.5% (2016 - prime plus 0.5%). This facility had no advances outstanding as at December 31, 2017.

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.

## 11. Capital Lease Obligations

| | **2017** | 2016 |
|---|---|---|
| Obligations under capital lease: | | |
| - with interest rate of 3.18%, repaid | **$ -** | $ 70,872 |
| - with interest rate of 3.30%, repaid | **-** | 26,325 |
| - with interest rate of 3.17%, repaid | **-** | 54,834 |
| - with interest rate of 0%, maturing February 2018 | **10,219** | 71,540 |
| - with interest rate of 2.98%, maturing February 2020 | **328,646** | 466,926 |
| - with interest rate of 3.36%, maturing November 2020 | **490,797** | - |
| | **829,662** | 690,497 |
| Less: Current portion | **333,358** | 351,632 |
| | **$ 496,304** | $ 338,865 |

The obligations are secured by fixtures and equipment with a net book value of $956,019 (2016 - $877,743).

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

| | |
|---|---|
| 2018 | $ 368,515 |
| 2019 | 358,296 |
| 2020 | 171,602 |
| Total minimum lease payments | 898,413 |
| Less: Imputed interest | (68,751) |
| | $ 829,662 |

## 12. Deferred Capital Contributions

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

| | **2017** | 2016 |
|---|---|---|
| Balance, beginning of year | **$ 36,861,980** | $ 34,543,900 |
| Add: Contributions received and receivable | **4,870,813** | 3,321,338 |
| Less: Contributions recognized as revenue | **(961,613)** | (1,003,258) |
| | **$ 40,771,180** | $ 36,861,980 |

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

| | **2017** | 2016 |
|---|---|---|
| Unamortized capital contributions | **$ 40,219,594** | $ 36,288,763 |
| Unallocated contributions | **551,586** | 573,217 |
| | **$ 40,771,180** | $ 36,861,980 |

## 13. Net Assets Invested in Capital and Intangible Assets

| | **2017** | 2016 |
|---|---|---|
| Capital assets, net | **$ 61,408,488** | $ 49,331,353 |
| Intangible assets, net | **825,014** | - |
| Restricted cash | **3,993,550** | 6,951,661 |
| Deferred capital contributions - unamortized | **(40,219,594)** | (36,288,763) |
| | **$ 26,007,458** | $ 19,994,251 |

## 14. Net Assets Invested in Endowment

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

| | **2017** | 2016 |
|---|---|---|
| Investments | **$ 5,431,529** | $ 5,078,718 |
| Less: Investments in unrestricted net assets | **(1,067,426)** | (962,227) |
| | **$ 4,364,103** | $ 4,116,491 |

## 14. Net Assets Invested in Endowment (Continued)

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

| | **2017** | 2016 |
|---|---|---|
| Investment income | **$ 166,995** | $ 154,529 |
| Donations | **25,160** | 2,319 |
| Fair value changes in investments | **210,934** | 371,209 |
| Investment management fees | **(45,477)** | (41,524) |
| Transfer to unrestricted net assets | **(110,000)** | (117,000) |
| | **$ 247,612** | $ 369,533 |

During the year, the Board of Directors approved a transfer of $110,000 (2016 - $117,000) from net assets invested in endowment to unrestricted net assets to support the Y on Wheels program, the YMCA CEO Advisory Team (YCAT), Swim to Survive and the Wanakita Master Plan funding strategy.

## 15. Net Assets Internally Restricted

The internally restricted balance includes funds for capital projects in Brantford and 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 $643,484 (2016 - $741,144) from unrestricted net assets to net assets internally restricted. Also, the Board of Directors approved expenditures throughout the year of $1,539,612 (2016 - $1,684,506) on the Wanakita renovation project from net assets internally restricted.

## 16. Commitments

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

| | |
|---|---|
| 2018 | $ 1,085,405 |
| 2019 | 527,478 |
| 2020 | 257,454 |
| 2021 | 116,490 |
| 2022 | 63,814 |
| Thereafter | 24,648 |

The YMCA has also committed to $558,315 of costs in 2018 associated with the development and implementation of the Dynamics for Membership IT system (Note 8).

The YMCA has entered into an Agreement of Purchase and Sale for their property owned at 143 Wellington Street, Brantford. This property has an agreed upon sale price of $1,700,000 and an anticipated closing date in September 2018. As the property has not officially closed, no amounts have been recognized in the YMCA's statement of operations relating to this sale during the year.

## 17. 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.

| | 2017 | 2016 |
|---|---|---|
| **Contracted programs** | | |
| Special program funding received and receivable from federal and provincial governments to operate programs related to: | | |
| - Employment services | **$ 4,850,212** | $ 5,476,327 |
| - Education and training | **366,631** | 334,797 |
| - Immigrant services | **3,124,472** | 2,367,009 |
| - Community initiatives | **529,015** | 470,803 |
| | **8,870,330** | 8,648,936 |
| **Subsidies and grants** | | |
| Child care General Operating Grant and Wage Enhancement Grants: | | |
| - Region of Halton | **1,846,534** | 1,710,290 |
| - The City of Hamilton | **1,637,424** | 1,506,835 |
| - The City of Brantford | **1,349,230** | 1,309,479 |
| | **4,833,188** | 4,526,604 |
| Child care System Priorities Grants: | | |
| - Region of Halton | **120,110** | 102,244 |
| - The City of Hamilton | **161,880** | 180,000 |
| - The City of Brantford | **218,500** | 212,492 |
| | **500,490** | 494,736 |
| Other | **286,885** | 106,648 |
| | **$ 14,490,893** | $ 13,776,924 |

## 18. 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 $826,562 (2016 - $801,660).

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

## 19. 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.

### 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, 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 $1,392,751 (2016 - $1,240,734) 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.

## 20. Comparative Amounts

Certain comparative figures presented in the financial statements have been reclassified to conform with the current year's presentation.