Financial statements

The Young Men's Christian Association of Greater Vancouver

December 31, 2015

Independent auditors' report

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

Report on the financial statements

We have audited the accompanying financial statements of **The Young Men's Christian Association of Greater Vancouver**, which comprise the statement of financial position as at December 31, 2015, and the statements of operations, changes in net assets 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **The Young Men's Christian Association of Greater Vancouver** as at December 31, 2015, 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 *Society Act* of British Columbia, we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Ernst & Young LLP

Vancouver, Canada
April 20, 2016

Chartered Professional Accountants

The Young Men's Christian Association of Greater Vancouver

Statement of financial position

As at December 31

	2015 $	2014 $
Assets		
Current		
Cash	**2,557,803**	2,128,776
Accounts receivable *[notes 4, 8 and 15]*	**1,676,420**	1,543,268
Due from the Endowment Fund of the YMCA *[note 3]*	**124,258**	67,694
Prepaid expenses and other	**480,739**	744,224
Total current assets	**4,839,220**	4,483,962
YMCA facilities under development *[note 5]*	**—**	765,744
Investments and restricted cash *[note 6]*	**18,181,444**	15,824,259
Property and equipment, net *[notes 7 and 8]*	**8,007,431**	56,733,157
Total assets	**31,028,095**	77,807,122
Liabilities and net assets		
Current		
Current portion of term loans *[note 8]*	**574,718**	3,491,824
Accounts payable and accrued liabilities *[notes 4, 8 and 15]*	**2,998,743**	2,705,963
Deferred revenue *[note 9]*	**1,932,699**	1,772,039
Current portion of capital lease obligations *[note 10]*	**3,600**	3,600
Total current liabilities	**5,509,760**	7,973,426
Deferred capital contributions *[note 9]*	**5,907,905**	19,881,424
Term loans *[note 8]*	**582,350**	471,514
Capital lease obligations *[note 10]*	**36,000**	39,600
Total liabilities	**12,036,015**	28,365,964
Commitments and contingencies *[note 11]*		
Net assets		
Unrestricted	**1,490,076**	136,226
Internally Restricted *[note 12]*	**17,502,004**	49,304,932
Total net assets	**18,992,080**	49,441,158
Total liabilities and net assets	**31,028,095**	77,807,122

See accompanying notes

On behalf of the Board:

Director

Director

The Young Men's Christian Association of Greater Vancouver

Statement of operations

Year ended December 31

	2015	2014
	$	$
Revenue		
Membership fees	**15,470,601**	14,892,844
Program fees	**15,569,106**	14,401,881
Government sources – other	**3,614,683**	3,770,201
Government sources – childcare	**4,017,576**	3,631,387
Donations *[note 14]*	**1,188,392**	1,183,395
Investment income *[note 6]*	**1,592,038**	796,357
Allocations from the United Way	**577,738**	524,842
Grants from the Endowment Fund of the YMCA *[note 3]*	**498,795**	397,715
Grants from the YMCA of Greater Vancouver Properties Foundation *[note 4]*	**972,135**	228,975
Gaming	**220,000**	220,040
Other revenue	**28,278**	61,552
	43,749,342	40,109,189
Expenses		
Salaries	**22,225,034**	20,908,121
Occupancy *[notes 3 and 4]*	**6,460,828**	5,164,520
Employee benefits	**2,798,234**	2,561,043
Supplies	**2,401,986**	2,234,179
Office, legal and contract services	**1,630,578**	1,418,078
Grants and work study fees	**962,115**	1,430,115
Staff and volunteer training	**609,170**	457,521
Bank charges	**598,130**	525,418
Conferences, employee expense and vehicle costs	**569,786**	539,123
Repairs and maintenance	**535,238**	628,395
National support	**506,261**	426,167
Advertising and promotion	**402,872**	584,887
Other	**98,603**	60,569
Recovery of commodity tax rebate	**(358,253)**	(336,090)
	39,440,582	36,602,046
Excess of revenue over expenses before the following	**4,308,760**	3,507,143
Deed of gift to YMCA Properties Foundation *[note 4]*	**(31,836,171)**	—
Gain (loss) on sale of disposal of equipment	**55,932**	(56,894)
Loss on abandonment of leasehold improvements	**(418,793)**	—
Interest *[notes 8 and 10]*	**(74,837)**	(128,590)
Gain on interest rate swap *[notes 8 and 13]*	**—**	26,584
Amortization of property and equipment	**(3,139,637)**	(4,389,172)
Amortization of deferred capital contributions *[note 9]*	**655,668**	849,531
Deficiency of revenue over expenses for the year	**(30,449,078)**	(191,398)

See accompanying notes

The Young Men's Christian Association of Greater Vancouver

Statement of changes in net assets

Year ended December 31

	2015			2014
	Unrestricted	**Internally Restricted**	**Total**	**Total**
	$	$	$	$
Net assets, beginning of year	**136,226**	**49,304,932**	**49,441,158**	49,632,556
Deficiency of revenue over expenses for the year	**3,282,302**	**(33,731,380)**	**(30,449,078)**	(191,398)
Transfer to Internally Restricted *[note 12]*	**(1,928,452)**	**1,928,452**	**—**	—
Net assets, end of year	**1,490,076**	**17,502,004**	**18,992,080**	49,441,158

See accompanying notes

The Young Men's Christian Association of Greater Vancouver

Statement of cash flows

Year ended December 31

	2015	2014
	$	$
Operating activities		
Deficiency of revenue over expenses for the year	**(30,449,078)**	(191,398)
Add (deduct) non-cash items		
Amortization of deferred compensation	**30,270**	30,270
Amortization of deferred capital contributions	**(655,668)**	(849,531)
Amortization of property and equipment	**3,139,637**	4,389,172
Loss (gain) on disposal of assets	**(55,932)**	56,894
Loss on abandonment of leasehold improvements	**418,793**	—
Deed of gift to YMCA Properties Foundation	**31,836,171**	—
Unrealized gain on investments	**(448,458)**	181,900
Gain on interest rate swap	**—**	(26,584)
	3,815,735	3,590,723
Changes in non-cash working capital balances related to operations		
Accounts receivable	**282,813**	(96,391)
Due from the Endowment Fund of the YMCA	**(56,564)**	(55,780)
Prepaid expenses and other	**201,110**	(148,306)
Accounts payable and accrued liabilities	**289,155**	(10,359)
Deferred revenue	**164,694**	(522,960)
Cash provided by operating activities	**4,696,943**	2,756,927
Investing acitivites		
Purchase of property and equipment	**(3,128,052)**	(1,577,550)
Proceeds on sale of property and equipment	**55,932**	82,625
Additions to YMCA facilities under development	**—**	(699,239)
Increase in investments and restricted cash	**(1,908,726)**	(1,259,906)
Cash used in investing activities	**(4,980,846)**	(3,454,070)
Financing activities		
Repayments on bank demand loan	**—**	(37,567)
Borrowings (repayments) on term loans, net	**(56,270)**	178,401
Receipt of contributions restricted for capital purposes	**772,800**	1,462,831
Payment of capital lease obligations	**(3,600)**	(3,600)
Cash provided by financing activities	**712,930**	1,600,065
Net increase in cash during the year	**429,027**	902,922
Cash, beginning of year	**2,128,776**	1,225,854
Cash, end of year	**2,557,803**	2,128,776

See accompanying notes

The Young Men's Christian Association of Greater Vancouver

Notes to financial statements

December 31, 2015

1. Purpose of organization

The Young Men's Christian Association of Greater Vancouver [the "Association" or the "YMCA"] is an independent, charitable organization dedicated to the development of people in spirit, mind and body as well as the improvement of local, national and international communities. The Association is incorporated under the *Society Act* of British Columbia and is a registered charity under the *Income Tax Act* (Canada) and accordingly is not subject to income taxes.

2. Significant accounting policies

These financial statements were prepared in accordance with Part III of the CPA Canada Handbook – *Accounting Standards for Not-for-Profit Organizations* which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies described hereafter.

Revenue recognition

The Association follows the deferral method of accounting for contributions, which include grants and donations. Externally restricted contributions are initially deferred and then recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions, including grants and donations, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Pledges are recognized as revenue if collection is reasonably assured, otherwise they are not recognized until the cash or asset is received. Contributions related to capital development projects and capital assets represent restricted contributions and are recognized as income on the same basis as the related assets are amortized.

Program fees and membership fees are recognized as revenue over the period to which the fees relate. Funds from government sources for services are recognized as revenue as the services to which the funds relate are delivered or performed. Amounts received in advance of meeting the criteria for revenue recognition are initially deferred and then recognized as revenue when earned.

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

Financial instruments

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

Other financial instruments, including accounts receivable and accounts payable, are recorded at amortized cost, net of any provisions for impairment.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. The Association charges amortization on a straight line basis over the estimated useful lives of the assets as follows:

Buildings and infrastructure	25 to 32 years
Program and operating equipment	4 to 8 years
Computer and office equipment	5 years
Automobiles	5 years
Leasehold improvements	Term of the lease
Land	not amortized

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments with a short term to maturity of approximately three months or less from the date of purchase unless they are held for investment rather than liquidity purposes, in which case they are classified as investments.

Leases

Leases are classified as either capital or operating leases. Those leases that transfer substantially all the benefits and risks of ownership of the property to the Association are accounted for as capital leases. Capital lease obligations reflect the present value of future lease payments discounted at appropriate interest rates. All other leases are accounted for as operating leases, wherein rental payments are charged to operations as incurred.

YMCA facilities under development

The YMCA facilities under development are recorded at cost and are not amortized. When project construction is complete, the YMCA facility under development project is transferred to the appropriate asset categories and amortized over its useful life. Interest costs and internal salaries and wages directly attributable to the development projects are capitalized as part of the facilities under development.

Derivative financial instruments

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

Long-term debt

Long-term debt is initially measured at fair value, net of transaction costs and financing fees. It is subsequently measured at amortized cost. Transaction costs and financing fees are amortized using the straight-line method.

Pension plan

Contributions to a multi-employer defined contribution pension plan are expensed on an accrual basis.

Contributed materials and services

Volunteers contribute an indeterminable number of hours per year. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements. Contributed materials are also not recognized in the financial statements.

Management's estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent; however, actual results could differ from these estimates. To these financial statements, such estimates principally impact the recoverability of YMCA facilities under development which are, in part, dependent on the success of the various development initiatives *[note 5]* and are dependent on the Association's continued support of these development initiatives. Management estimates also impact the period over which property and equipment and deferred capital contributions are amortized.

3. The Endowment Fund of the YMCA

The Endowment Fund of the YMCA ["Endowment Fund"] is an independent organization incorporated under the *Society Act* of British Columbia and is a registered foundation under the *Income Tax Act* (Canada). It is concerned with assisting in the development, growth and continuing relevancy of the Association. The by-laws of the Association provide that the Chair or designate of the Endowment Fund also be a member of the Association's Board of Directors.

In 2010, the Trustees of the Endowment Fund committed to provide the Association $600,000 over seven years for the purpose of building new lodges at Camp Elphinstone. As at December 31, 2015, $600,000 [2014 – $400,000] had been received in respect of this commitment and has been recorded as deferred capital contributions *[note 9[b]].*

In addition, the Endowment Fund makes grants and donations to the Association in accordance with donor's restrictions at the direction of the Endowment Fund Trustees. During 2015, the Endowment Fund provided grants of $733,961 to the Association [2014 – $559,672]. The Endowment Fund reimbursed the Association for salaries relating to administration support totalling $144,996 [2014 – $144,996] which has been recorded as a reduction of salaries expense. In January 2015, the Association entered into a ten-year lease for lands and buildings owned by the Endowment Fund which contains two renewal options of five years each. In July 2015, the Association entered into a ten-year lease agreement for Camp Deka owned by the Endowment Fund which contains two renewal options of ten years each. For the year ended December 31, 2015, the Association was charged rent of $252,961 [2014 – $192,129] by the Endowment Fund for the buildings and the camp.

As at December 31, 2015, $124,258 [2014 – $67,694] was receivable from the Endowment Fund in respect of administrative costs not paid The transactions are recorded at the exchange amounts agreed and established between the Association and the Endowment Fund.

4. The YMCA of Greater Vancouver Properties Foundation

The YMCA of Greater Vancouver Properties Foundation ["Properties Foundation"] is an independent organization incorporated under the *Society Act* of British Columbia and is a registered foundation under the *Income Tax Act* (Canada). It is concerned with assisting in the funding, support and promotion of the Association. The by-laws of the Properties Foundation provide that the immediate past-Chair of the Association also be an ex-officio member of the Properties Foundation Board of Directors.

On September 1, 2015, the Association transferred, by deed of gift, all of the rights, title and interest in real estate assets ["properties"] to the Properties Foundation. The properties transferred included the Robert Lee YMCA, the Langara Family YMCA, the Tong Louie Family YMCA – Surrey, Camp Elphinstone and the New Westminster – Healthy Heart Buildings. The transfer included the land, buildings and infrastructure, program and operating equipment, deferred capital contributions and debt related to the properties with a net book value of $31,836,171 and a fair value, based on property assessed values, of $66,219,300. The effect of the deed of gift was an expense of $31,836,171.

In September 2015, the Association entered into ten year lease agreements for the transferred properties which expire in August 2025 and contain two renewal options of ten years each. The Association also has a ten-year lease agreement for lands and buildings owned by the Properties Foundation for the Chilliwack Family YMCA Hocking facility which expires in August 2025 and contains two renewal options of ten years each. For the year ended December 31, 2015, the Association was charged rent of $1,178,506 [2014 – $274,770] by the Properties Foundation. During 2015, the Properties Foundation provided grants of $972,135 [2014 – $228,975] to the Association. As at December 31, 2015, nil [2014 – $2,634] was receivable from the Properties Foundation and $11,044 [2014 – nil] was payable to the Properties Foundation which is included in accounts payable. The Association charged the Properties Foundation an administration fee of $10,126 [2014 – nil] for the year ended December 31, 2015. The transactions are recorded at the exchange amounts agreed and established between the Association and the Properties Foundation.

5. YMCA facilities under development

Costs capitalized with respect to ongoing capital projects to December 31, 2015 have been recorded in YMCA facilities under development and will be transferred to the appropriate property and equipment category in the year of completion.

	2015	**2014**
	$	$
YMCA Camp Elphinstone	—	762,418
Sechelt Childcare	—	3,326
	—	765,744

For the year ended December 31, 2015, facilities under development costs of $765,744 [2014 – nil] were transferred to property and equipment.

6. INVESTMENTS AND RESTRICTED CASH

Investments consist of the following:

	2015	2014
	$	$
Bank account balances for		
Internally Restricted	**257,694**	310,135
Externally Restricted – Government *[note 9]*	**1,569,037**	1,552,107
Externally Restricted – Other *[note 9]*	**14,621**	314,921
Total bank account balances	**1,841,352**	2,177,163
Investments for		
Guaranteed investment certificate for debt agreement *[note 8]*	**1,500,000**	—
Internally Restricted for strategic reserve	**14,840,092**	13,647,096
Total investment	**16,340,092**	13,647,096
Total investments and restricted cash	**18,181,444**	15,824,259

Bank account balances are held in high interest savings accounts and earn interest at 0.80% [2014 – 1.23%] per annum.

The unrealized investment gain of the portfolio was $448,458 [2014 – loss of $181,900] and income for the year was $1,128,149 [2014 – $892,996]. The annual rate of return for the year ended December 31, 2015 was 11.57% [2014 – 5.50%].

The investments in pooled funds for the strategic reserve comprise the following:

	2015	2014
	%	%
Money market	**9.4**	9.2
Fixed income	**31.5**	31.4
Equities and equity funds	**59.1**	59.4
	100.0	100.0

Notes to financial statements

December 31, 2015

7. Property and equipment

Location	Land [note 4]	Buildings, leasehold improvements and infrastructure	Program and operating equipment	Computer and office equipment	Automobiles	Total	Accumulated amortization	Net book value
	$	$	$	$	$	$	$	$
December 31, 2015								
Robert Lee YMCA – Downtown	**—**	**18,967**	**1,798,595**	**424,478**	**—**	**2,242,040**	**1,712,092**	**529,948**
Langara Family YMCA	**—**	**—**	**1,201,757**	**301,406**	**—**	**1,503,163**	**1,235,831**	**267,332**
Tong Louie Family YMCA – Surrey *[note 8]*	**—**	**79,222**	**2,189,209**	**522,554**	**—**	**2,790,985**	**2,491,396**	**299,589**
Chilliwack Family YMCA	**—**	**142,436**	**1,161,870**	**315,669**	**42,000**	**1,661,975**	**1,407,557**	**254,418**
Camp Elphinstone	**—**	**2,009,828**	**777,748**	**259,762**	**127,148**	**3,174,486**	**944,390**	**2,230,096**
Camp Deka	**—**	**345,088**	**154,295**	**1,047**	**14,825**	**515,255**	**235,512**	**279,743**
Child Care Unit	**—**	**4,248,768**	**578,100**	**302,647**	**19,500**	**5,149,015**	**1,819,545**	**3,329,470**
Association Services	**—**	**408,721**	**9,631**	**1,879,836**	**—**	**2,298,188**	**1,546,960**	**751,228**
Community services	**—**	**—**	**34,557**	**42,679**	**39,855**	**117,091**	**51,484**	**65,607**
	—	**7,253,030**	**7,905,762**	**4,050,078**	**243,328**	**19,452,198**	**11,444,767**	**8,007,431**
December 31, 2014								
Robert Lee YMCA – Downtown	1,335,907	36,954,253	2,469,356	423,125	—	41,182,641	9,701,152	31,481,490
Langara Family YMCA	513,122	4,073,932	1,669,425	292,621	—	6,549,101	4,934,109	1,614,991
Tong Louie Family YMCA – Surrey *[note 8]*	826,602	14,460,013	2,974,848	522,448	—	18,783,910	8,762,162	10,021,748
Chilliwack Family YMCA	—	142,436	1,155,854	311,351	42,000	1,651,641	1,376,360	275,281
Camp Elphinstone	30,058	11,125,627	979,468	136,859	127,148	12,399,158	3,649,753	8,749,406
Camp Deka	—	345,088	111,190	1,047	14,825	472,150	213,821	258,328
Child Care Unit	—	4,248,767	573,059	295,098	23,137	5,140,063	1,613,663	3,526,400
Association Services	—	496,894	9,631	1,587,191	—	2,093,716	1,464,642	629,074
Community services	—	119,000	32,175	27,950	39,855	218,980	42,541	176,439
	2,705,689	71,966,010	9,975,006	3,597,690	246,965	88,491,360	31,758,203	56,733,157

As at December 31, 2015, property and equipment include a childcare centre under capital lease having a net book value of $39,600 [2014 – $43,200].

8. Bank demand loan and term loans

[a] Bank demand loan

The Association has a demand operating loan facility of $2,500,000 [2014 – $3,500,000] available to finance general operating activities and facility development activities, bearing interest at the bank's prime rate plus 0.45% [2014 – 0.45%] per annum on outstanding amounts payable on demand. No interest was incurred for the year ended December 31, 2015, on the demand operating loan facility [2014 – nil].

[b] Bankers' acceptance/term loans

	2015	**2014**
	$	$
Loan agreement facility for Tong Louie Family YMCA – Surrey [i]	**—**	2,996,820
Term loans for equipment [ii]	**1,157,068**	966,518
	1,157,068	3,963,338
Less long-term portion	**582,350**	471,514
	574,718	3,491,824

[i] On September 1, 2015, the Association transferred its bankers' acceptance ["BA"] facility of $2,750,000 [2014 – $3,000,000] for Tong Louie Family YMCA – Surrey bearing interest at the treasury rate plus a BA fee of 1.50% per annum to the Properties Foundation of the YMCA of Greater Vancouver *[note 4]*. In the prior year, to reduce the interest rate risk on the facility, the Association entered into an interest rate swap contract with a notional principal of $3,000,000 that entitled the Association to receive interest at floating rates on the notional principal amount and obliged it to pay interest at a fixed rate of 2.27% per annum plus the BA fee of 1.50%. The swap matured in October 2014 and, as at December 31, 2014, the interest rate swap had an outstanding balance of nil [2014 – nil]. The interest rate swap was subject to interest at the 30-day treasury rate plus a BA fee of 1.50% per annum. As at December 31, 2015, the mark to market gain, of nil [2014 – $26,584] has been recorded in the statement of operations. Interest expense recorded on the loan amounts to $50,180 [2014 – $106,929].

[ii] The Association has a combined term loan and lease facility of $1,500,000 available to finance capital expenditures. Borrowings under this facility may be converted into a demand operating loan. This facility is subject to review by the bank annually. As at December 31, 2015, there was a combined amount of $1,157,068 [2014 – $966,518] in term facility loans. These are three year term loans that bear interest between 2.69% and 2.93% [2014 – 2.74% and 3.45%] per annum. Interest on the term loans in the amount of $24,657 [2014 – $21,661] is recorded as interest expense. Monthly principal repayments under the facilities are $53,934.

The bank's prime rate at December 31, 2015 was 2.70% [2014 – 3.00%].

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

	$
2016	574,718
2017	420,368
2018	161,982
	1,157,068

The loans are collateralized by:

[a] A security agreement granted in favour of the bank over the program and office equipment of the Association with a carrying amount of $1,676,420 as at December 31, 2015.

[b] A security agreement granted in favour of the bank the first ranking interest in all accounts receivables.

[c] A security agreement assigning term deposit and/or guaranteed investment certificates in the amount of $1,500,000 *[note 6].*

[d] Collateral mortgage in the amount of nil [2014 – $8.0 million], constituting a first fixed charge of the lands and improvements of the Tong Louie Family YMCA – Surrey with a carrying amount of nil [2014 – $9,301,144] at December 31, 2015. The Tong Louie YMCA was transferred as part of deed of gift to The YMCA of Greater Vancouver Properties Foundation on September 1, 2015 *[note 4].*

9. Deferred revenue and deferred capital contributions

[a] Deferred revenue

	2015	**2014**
	$	$
Community Programs	**614,333**	793,076
Membership	**434,641**	472,286
Regional Development Centre	**269,833**	255,189
Child Care	**611,800**	226,959
Other	**2,092**	24,529
	1,932,699	1,772,039

[b] Deferred capital contributions

	2015	2014
	$	$
Balance, beginning of year	**19,881,424**	19,281,105
Amounts received during the year *[note 3]*	**1,192,799**	1,455,190
Amounts recognized as revenue during the year	**(655,668)**	(849,531)
Amounts related to assets disposed of during the year by the deed of gift *[note 4]*	**(14,510,650)**	(5,340)
Balance, end of year	**5,907,905**	19,881,424

Deferred capital contributions represent capital contributions for the following:

	2015	2014
	$	$
Tong Louie Family YMCA – Surrey capital campaign	**—**	3,608,764
Strong Foundations, Strong Communities – capital campaign	**1,743,216**	10,183,875
Strong Foundations, Strong Communities – government funds	**1,052,276**	2,682,631
Other deferred capital grants and contributions	**1,528,770**	1,537,238
Externally Restricted – Government *[note 6]*	**1,569,058**	1,553,735
Externally Restricted – Other *[note 6]*	**14,585**	315,181
	5,907,905	19,881,424

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

The Strong Foundations, Strong Communities capital campaign, including the Endowment Fund contribution of $1,000,000, raised $17.4 million [2014 – $17.4 million] in cash and pledges on a goal of $13.5 million. As of December 31, 2015, $15.6 million [2014 – $15.6 million] in contributions have been received.

The Externally Restricted government funds of $1,569,058 [2014 – $1,553,735] are restricted for the Association's expansion in the Central Fraser Valley. The Externally Restricted – other funds of $14,585 are held for anticipated future projects [2014 – $315,181 was restricted for the project in progress at Camp Elphinstone].

10. Capital lease obligations

The present value of future minimum annual lease payments for a childcare center under capital lease at December 31, 2015 is as follows:

	$
2016	3,600
2017	3,600
2018	3,600
2019	3,600
2020	3,600
Thereafter	21,600
	39,600
Less amount representing interest	—
Less current portion of capital lease obligations	3,600
	36,000

The interest on capital lease obligations was recorded as interest expense in the amount of nil [2014 – nil].

11. Commitments and contingencies

[a] The Association is committed to payments through 2025 under equipment and occupancy operating leases as follows:

	Equipment commitments $	Occupancy commitments $	Total commitments $
		[notes 3 and 4]	
2016	365,400	3,747,856	4,113,256
2017	—	3,602,860	3,602,860
2018	—	3,599,785	3,599,785
2019	—	3,582,121	3,582,121
2020	—	3,593,327	3,593,327
Thereafter	—	16,556,337	16,556,337
	365,400	34,682,286	35,047,686

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

[b] The Association is a member of the YMCA World Urban Network and holds $282,163 [2014 – $283,906] US funds on their behalf. These funds have not been recorded in the financial statements.

12. Internally restricted net assets

The Board of Directors appropriated Internally Restricted funds to be used as follows as at December 31, 2015:

	Internally Restricted for					
	Property and equipment $	**Childcare capital and transition requirements** $	**Emergency capital requirements** $	**Organization transition costs** $	**Vehicle replacement costs** $	**Total** $
Closing balance as at December 31, 2014	51,783,022	138,937	74,612	64,625	168,116	52,229,312
Transfer from (to) Unrestricted	426,861	(66,355)	(75,062)	—	40,829	326,273
Allocation of income	(3,215,409)	1,949	450	(40,002)	2,359	(3,250,653)
Closing balance as at December 31, 2014	48,994,474	74,531	—	24,623	211,304	49,304,932
Transfer from (to) Unrestricted	1,959,120	(75,124)	—	378	44,078	1,928,452
Allocation of income	(33,709,284)	593	—	(25,001)	2,312	(33,731,380)
Closing balance as at December 31, 2015	**17,244,310**	**—**	**—**	**—**	**257,694**	**17,502,004**

13. Financial instruments and risk

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The YMCA's main credit risk relates to its accounts receivable. The Association derives revenue from services delivered in Canada. Services are normally paid in advance or on a scheduled payment basis in Canadian funds and generally require no collateral. The Association's credit risk does not include counterparty exposure associated with the fixed interest rate swap contract in the event that there is non-performance as the counterparty to the contract and the underlying are one and the same.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. During 2010, the Association entered into an interest rate swap contract terminating in October 2015 on a notional principal amount of $3,000,000. The mark-to-market valuation of the swap contracts as at December 31, 2015 gave rise to a gain of nil [2014 – $26,584] *[note 8]*. Interest rate risk also exists with respect to fixed income investments which are managed by professional investment advisors.

Financial risk

Financial risk is the risk to the Association results of operations that arises from fluctuations in equity valuations and foreign exchange rates and the degree of volatility of these rates. In managing these risks, the Association has established a target mix of investment types designed to achieve an optimal return within reasonable risk tolerances.

Liquidity risk

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

14. Funds held by the Vancouver Foundation

The Vancouver Foundation holds the funds listed below to which the Association is entitled to receive a portion of distributable investment income.

	Share distributable income	2015 income	2014 income
	%	$	$
William E. and Emily Ross Fund	40	1,482	1,863
Senator and Mrs. S. S. McKeen Memorial Fund	100	1,621	2,037
Clarence L. Sorensen Fund	100	785	985
		3,888	4,885

15. Government receivables and remittances

Government receivables of $712,343 [2014 – $853,821] are included in accounts receivable. Government payables of $78,067 [2014 – $374,201] are included in accounts payable.

16. Related party payments

From time to time, the Association carries out business transactions with suppliers of goods and services whose officers are also directors of the Association. During the year, these transactions amounted to $31,069 [2014 – $39,209]. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties and which, in management's opinion, is comparable to amounts that would have been paid to non-related parties. These transactions are subject to a regular review process.

17. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation in the current year.

18. Subsequent event

On April 19, 2016, the Association approved a $140 million capital development plan consisting of four projects and the "What Really Matters" capital campaign.