

Financial Statements of

**YMCA – YWCA OF THE
CENTRAL OKANAGAN**

Year ended December 31, 2008.



KPMG LLP
Chartered Accountants
300 - 1674 Bertram Street
Kelowna BC V1Y 9G4
Canada

Telephone (250) 979-7150
Fax (250) 763-0044
Internet www.kpmg.ca

AUDITORS' REPORT

To the Members of the YMCA-YWCA of the Central Okanagan

We have audited the statement of financial position of the YMCA-YWCA of the Central Okanagan (the "Association") as at December 31, 2008 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Society Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Chartered Accountants

Kelowna, Canada
February 20, 2009

YMCA-YWCA OF THE CENTRAL OKANAGAN

Statement of Financial Position

December 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Unrestricted cash	\$ 1,048,694	\$ 1,419,930
Accounts receivable	266,879	88,957
Inventories	6,187	7,704
Prepaid expenses and deposits	54,926	48,939
	<u>1,376,686</u>	<u>1,565,530</u>
Restricted cash and cash equivalents:		
Restricted for Community Programs (note 6(a))	193,130	184,483
Restricted for Kelowna Family Y Centre (note 6(b))	38,995	38,834
Restricted for Kelowna Family Y Capital Campaign (note 6(c))	604,572	-
Employee benefit fund (note 8(b))	17,883	51,572
	<u>854,580</u>	<u>274,889</u>
Property and equipment (note 2)	1,278,905	1,313,787
	<u>\$ 3,510,171</u>	<u>\$ 3,154,206</u>

Liabilities and Net Assets

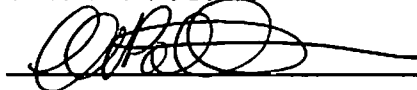
Current liabilities:		
Accounts payable and accrued liabilities	\$ 418,039	\$ 337,695
Deferred revenue	186,420	134,636
Current portion of long-term debt	96,250	117,500
	<u>700,709</u>	<u>589,831</u>
Long-term debt (note 3)	1,258,750	1,355,000
Deferred capital contributions (note 4)	166,996	32,335
Net assets:		
Invested in property and equipment (note 5)	285,155	212,702
Restricted for Community Programs (note 6 (a))	193,130	184,421
Restricted for Kelowna Family Y Centre (note 6 (b))	38,995	38,834
Restricted for Capital Campaign (note 6 (c))	437,576	-
Unrestricted	428,860	741,083
	<u>1,383,716</u>	<u>1,177,040</u>

Commitments and contingencies (notes 7 and 8)

	<u>\$ 3,510,171</u>	<u>\$ 3,154,206</u>
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See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

YMCA-YWCA OF THE CENTRAL OKANAGAN

Statement of Operations

Year ended December 31, 2008, with comparative figures for 2007

	Community Programs	Kelowna Family Y Centre	Mission Aquatic Centre	2008	2007
Revenue:					
Program fees, memberships and admissions	\$ 431,607	\$ 2,033,568	\$ -	\$ 2,465,175	\$ 2,261,912
City of Kelowna contracts (note 7)	-	618,359	133,468	751,827	607,679
Human Resources and Social Development Canada	664,821	-	-	664,821	556,015
Federal and provincial grants	200,678	-	-	200,678	164,530
Fundraising:					
Gaming	81,000	6,000	-	87,000	70,000
Other	100,156	-	-	100,156	75,634
	181,156	6,000	-	187,156	145,634
Other	807	127,813	-	128,620	131,339
Interest and investment income	41,696	-	-	41,696	54,165
	1,520,765	2,785,740	133,468	4,439,973	3,921,274
Expenditures:					
Program	1,276,918	886,590	120,170	2,283,678	1,870,622
Customer service and marketing	16,200	345,317	3,932	365,449	393,923
Administration	157,685	648,775	9,117	815,577	684,690
Facility	-	511,153	249	511,402	497,436
Amortization	7,609	136,292	-	143,901	133,524
Interest on long term debt	-	50,866	-	50,866	67,625
Kelowna Family Y Capital Campaign	-	62,424	-	62,424	-
	1,458,412	2,641,417	133,468	4,233,297	3,647,820
Excess of revenue over expenditures	\$ 62,353	\$ 144,323	\$ -	\$ 206,676	\$ 273,454

YMCA-YWCA OF THE CENTRAL OKANAGAN

Statement of Changes in Net Assets

Year ended December 31, 2008, with comparative figures for 2007

	Invested in Property and Equipment (note 5)	Restricted for Community Programs (note 6 (d))	Restricted for Kelowna Family Y Centre (note 6 (d))	Restricted for Kelowna Family Capital Campaign	Unrestricted	2008	2007
Net assets, beginning of year	\$ 212,702	\$ 184,421	\$ 38,834	\$ -	\$ 741,083	\$ 1,177,040	\$ 903,586
Excess of revenue over expenditures and and comprehensive income							
Operations	-	4,063	-	(62,424)	265,037	206,676	273,454
Amortization of deferred capital contributions	32,335	-	-	-	(32,335)	-	-
Amortization of property and equipment	(143,901)	-	-	-	143,901	-	-
	(112,519)	4,063	-	(62,424)	377,556	206,676	273,454
Net investment in property and equipment	184,019	-	-	-	(184,019)	-	-
Transfers in net assets	-	4,646	161	500,000	(504,807)	-	-
Net assets, end of year	\$ 285,155	\$ 193,130	\$ 38,995	\$ 437,576	\$ 428,860	\$ 1,383,716	\$ 1,177,040

See accompanying notes to financial statements.

YMCA-YWCA OF THE CENTRAL OKANAGAN

Statement of Cash Flows

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
Cash flows from operating activities:		
Cash received from program fees, memberships and admissions	\$ 2,465,175	\$ 2,212,511
Cash received from Human Resources and Social Development Canada	664,821	588,643
Cash received from City of Kelowna	666,515	618,451
Cash received from other revenues	443,293	483,873
Cash paid to suppliers and employees	(3,962,656)	(3,530,061)
Interest income received on unrestricted cash	37,633	48,048
	<u>314,781</u>	<u>421,465</u>
Cash flows from investing activities:		
Purchase of property and equipment	(109,019)	(10,943)
Increase in restricted cash and cash equivalents	(579,691)	(55,412)
Interest and investment income received on restricted cash and cash equivalents	4,063	6,117
Deferred capital contributions received	166,996	50,663
	<u>(517,651)</u>	<u>(9,575)</u>
Cash flows from financing activities:		
Repayment of long-term debt	(117,500)	(75,000)
Interest paid on long-term debt	(50,866)	(67,625)
	<u>(168,366)</u>	<u>(142,625)</u>
Increase (decrease) in unrestricted cash	(371,236)	269,265
Unrestricted cash, beginning of year	1,419,930	1,150,665
Unrestricted cash, end of year	\$ 1,048,694	\$ 1,419,930

See accompanying notes to financial statements.

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2008

The YMCA-YWCA of the Central Okanagan (the "Association") is a charitable organization, incorporated under the Society Act (British Columbia), serving the Central and South Okanagan, whose purpose is to support the development of strong individuals, families and communities in body, mind and spirit and to connect with and support the Y's global family. The Association 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.

1. Summary of significant accounting policies:

(a) Revenue recognition:

The Association follows the deferral method of accounting for contributions.

Program fees and admissions revenue are recognized as the services are provided. Membership revenues are recognized when memberships are initiated or renewed and the revenues are collected or reasonably collectible. Deferred revenue represents cash received related to programs and memberships for which services will be provided in a future period.

Revenue from contracts from the City of Kelowna, Human Resources and Social Development Canada and Federal and Provincial grants are recognized as the services are provided in accordance with the terms of the applicable agreement.

Fundraising and other revenue are recognized when the cash is received and the services or goods are provided.

Restricted interest income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted interest income is recognized as revenue when earned.

(b) Cash and cash equivalents

Cash and cash equivalents include cash and pooled investment funds readily convertible into cash.

(c) Inventories:

Inventories are recorded at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

(d) Property and equipment:

Property and equipment are recorded at cost. Contributed equipment is recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expenditures. Betterments, which extend the life of property and equipment, are capitalized.

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements, page 2

Year ended December 31, 2008

1. Significant accounting policies (continued):

(d) Property and equipment (continued):

When the Association's management determines that certain property and equipment no longer contribute to the Association's ability to provide services, their carrying amount is written down. Property and equipment are amortized on a straight-line basis using the following annual rates:

	Rate
Building improvements	3.33%
Fitness equipment	20%
Computer equipment	20% - 33%
Communications equipment	10% - 20%
Office and program equipment	10%
Automotive equipment	20%

(e) Deferred capital contributions

Deferred capital contributions consist of funds received for the purposes of funding capital improvements and expansion to the Kelowna Family Y Centre facility, including the Kelowna Family Y Centre Capital Campaign. Deferred capital contributions are recognized as revenue in the statement of operations on a straight line basis at a rate corresponding with the amortization rate for the related property and equipment asset.

(f) Restricted net assets:

Restricted for Community Programs

i) Capital Fund

Net assets restricted for the Capital Fund are restricted for the purposes of funding future purchases of property and equipment for Community Programs. The Association's policies provide for an annual appropriation from unrestricted net assets equal to 25% of the Community Programs financial surplus and provide that up to 50% of the opening market value may be spent on property and equipment purchases as long as a minimum balance of \$10,000 is maintained.

ii) Employment Centres Facilities Reserve

Net assets restricted for the Employment Centres Facilities Reserve are restricted for the purposes of funding potential costs associated with the termination of an employment centre lease.

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements, page 3

Year ended December 31, 2008

1. Significant accounting policies (continued):

(f) Restricted net assets (continued):

Restricted for Kelowna Family Y Centre

iii) Repairs and Maintenance Reserve

Net assets restricted for the Repairs and Maintenance Reserve are restricted for the purposes of funding preventative and first-line repairs to the Kelowna Family Y Centre facility in accordance with the Association's agreement with the City of Kelowna. Appropriations consist of the surplus of annual preventative and first-line repairs, prescribed in the agreement over actual preventative and first-line repairs expenditures.

iv) Deficit Reserve

As required in the Association's contract with the City of Kelowna for the operation of the Kelowna Family Y Centre, the Association is responsible to maintain a financial deficit reserve account to a minimum balance equal to 5% of the annual purchase of services payment by the City to be used to fund future operating deficits.

v) Capital Campaign Reserve

Net assets restricted for the Capital Campaign Reserve are restricted for the purpose of the planned expansion to the Kelowna Family Y Centre.

(g) Contributed services

The Association leases its Kelowna Family Y Centre facility from the City of Kelowna for no consideration. The fair value of the lease has not been determined and, accordingly, no expenditure has been recognized in respect of this lease.

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

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements, page 4

Year ended December 31, 2008

1. Significant accounting policies (continued):

(h) Financial instruments

The Association's financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings. The Association has classified its financial instruments as follows:

- (i) Cash and cash equivalents are designated as held-for-trading are being measured at fair value with changes in fair value being recognized in the statement of operations.
- (ii) Accounts receivable are classified as loans and receivables and are measured at amortized cost.
- (iii) Accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities, and are measured at amortized cost.

Disclosure of the financial significance of financial instruments to the Association's financial position, performance and cash flows, and to assist in assessing the amounts, timing and certainty of cash flows associated with those instruments is located in note 9.

(i) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Actual results could differ from those estimates.

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Notes to Financial Statements, page 5

Year ended December 31, 2008

1. Significant accounting policies (continued):

(j) New accounting pronouncements:

i) Accounting pronouncements issued and effective for the current fiscal year:

Section 3031, Inventories, was adopted by the Association on January 1, 2008. Section 3031 provides more extensive guidance on measurement, and expands disclosure requirements to increase transparency. The Association's previous accounting policy for inventories was in line with measurement requirements in the new standard; however, additional disclosures may be required in relation to inventories carried at net realizable value, the amount of inventories recognized as an expense, and the amount of any write downs of inventories.

Section 3862 "Financial Instruments - Disclosure" and Section 3863 "Financial Instruments - Presentation", which require expanded financial instrument disclosure and presentation standards from those prescribed in Section 3861 "Financial Instruments - Disclosure and Presentation", including increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. However, the CICA announced during the Association's 2008 fiscal year that not-for-profit organizations, including entities such as the Association, may elect to continue to apply Section 3861 in place of Sections 3862 and 3863. Accordingly, the Association has elected to continue to apply the financial instrument disclosure and presentation standards in Section 3861 in its December 31, 2008 financial statements.

ii) Accounting pronouncements issued but not yet effective:

In September 2008, the CICA made certain amendments to the Handbook Section 4400, "Financial Statement Presentation by Not-for Profit Organizations" and Section 4470 "Disclosure of Allocated Expenses by Not-for-Profit Organizations". The amendments are effective for the Association's fiscal year commencing January 1, 2009 and include removal of requirements to treat net assets invested in capital assets as a separate component of net assets. The Association is currently evaluating the impact of these accounting standards amendments for fiscal year 2009.

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements, page 6

Year ended December 31, 2008

2. Property and equipment:

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
Kelowna Family Y Centre:				
Building improvements	\$ 1,480,027	\$ 345,339	\$ 1,134,688	\$ 1,184,022
Fitness equipment	379,229	300,025	79,204	76,533
Computer equipment	206,287	197,991	8,296	14,598
Office equipment	223,785	207,443	16,342	16,010
Communications equipment	52,308	46,481	5,827	-
Leasehold improvements	20,207	674	19,533	-
	2,361,843	1,097,953	1,263,890	1,291,163
Community Programs:				
Automotive equipment	82,659	68,292	14,367	21,567
Computer equipment	37,181	36,533	648	1,057
Program equipment	25,123	25,123	-	-
Office equipment	6,463	6,463	-	-
	151,426	136,411	15,015	22,624
	\$ 2,513,269	\$ 1,234,364	\$ 1,278,905	\$ 1,313,787

Ownership of the Kelowna Family Y Centre property and certain equipment will revert to the City of Kelowna on the termination of the existing contract to operate the Kelowna Family Y Centre facility (note 7(a)).

Included in automotive equipment for Community programs is \$36,000 paid in 2006 for the use of two coaches provided by Variety – The Children’s Charity of British Columbia (“Variety”). The asset is being amortized over the estimated useful life of the coach consistent with rates used for like equipment. If Variety requests the return of the coach before the end of the estimated useful life, the Association will expense the remaining prepaid portion against income in that period.

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements, page 7

Year ended December 31, 2008

3. Long term debt:

	2008	2007
Bank term loan, repayable in monthly instalments of \$6,250 plus interest at the lender's prime rate, due March 18, 2022	\$ 993,750	\$ 1,068,750
Bridge financing from the City of Kelowna, non-interest bearing, payable in cumulative annual repayments of not less than \$21,250	361,250	403,750
	1,355,000	1,472,500
Current portion due within one year	96,250	117,500
	\$ 1,258,750	\$ 1,451,250

The term loan is secured by a general security agreement, a fixed charge over fitness equipment and a tri-partite agreement between the Association, the City of Kelowna and the bank, with a Solicitor's Letter of Opinion whereby the City of Kelowna will assume the loan obligation in the event of default.

The Association has an operating line of credit with an available limit of \$100,000, which is secured under the same terms as the term loans. No amount was drawn on the operating line of credit as at December 31, 2008.

Principal payments required in each of the next five years, assuming that term loans are renewed on similar terms as they come due, are as follows:

2009 - \$96,250; 2010 - \$96,250; 2011 - \$96,250; 2012 - \$96,250; 2013 - \$96,250.

4. Deferred capital contributions:

	2008	2007
Balance, beginning of year	\$ 32,335	\$ 58,490
Contributions received in the year	166,996	50,663
Amount amortized to revenue	(32,335)	(76,818)
Balance, end of year	\$ 166,996	\$ 32,335

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements, page 8

Year ended December 31, 2008

5. Net assets invested in property and equipment:

a) Net assets invested in property and equipment is calculated as follows:

	Community Programs	Kelowna Family Y Centre	2008	2007
Property and equipment	\$ 15,015	\$ 1,263,890	\$ 1,278,905	\$ 1,313,787
Less amount financed by				
Long-term debt	-	(993,750)	(993,750)	(1,068,750)
Deferred contributions	-	-	-	(32,335)
	\$ 15,015	\$ 270,140	\$ 285,155	\$ 212,702

b) Change in net assets invested in property and equipment is calculated as follows:

	Community Programs	Kelowna Family Y Centre	2008	2007
Balance, December 31, 2007	\$ 22,624	\$ 190,078	\$ 212,702	\$ 234,128
Deficiency of revenue over expenditures:				
Amortization of deferred capital contributions	-	32,335	32,335	76,818
Amortization of property and equipment	(7,609)	(136,292)	(143,901)	(133,524)
	(7,609)	(103,957)	(111,566)	(56,706)
Net investment in property and equipment:				
Property and equipment purchases	-	109,019	109,019	10,943
Property and equipment purchases funded by deferred contributions	-	-	-	(50,663)
Repayment of long-term debt	-	75,000	75,000	75,000
	-	184,019	184,019	35,280
Balance, December 31, 2008	\$ 15,015	\$ 270,140	\$ 285,155	\$ 212,702

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements, page 9

Year ended December 31, 2008

6. Restricted net assets:

	2008	2007
a) Cash and equivalents and net assets restricted for Community Programs consist of the following:		
Capital Fund	\$ 186,810	\$ 178,246
Employment Centres Facilities Reserve	6,320	6,175
	<u>193,130</u>	<u>184,421</u>
b) Cash and equivalents and net assets restricted for Kelowna Family Y Centre consist of the following:		
Repairs and Maintenance Reserve	8,077	8,450
Deficit Reserve	30,918	30,384
	<u>38,995</u>	<u>38,834</u>
c) Net assets restricted for Kelowna Family Y Capital Campaign consist of the following:		
Cash and cash equivalents	604,572	-
Deferred capital contributions	(166,996)	-
	<u>437,576</u>	<u>-</u>
	<u>\$ 669,701</u>	<u>\$ 223,255</u>

d) Change in restricted net assets is calculated as follows:

	<u>Community Programs</u>		2008	2007
	Capital Fund	Employment Centres Facilities Reserve		
Net assets, beginning of year	\$ 178,246	\$ 6,175	\$ 184,421	\$ 146,129
Transfers in net assets:				
Community programs surplus allocation	4,646	-	4,646	33,205
Other transfers	3,918	145	4,063	5,087
	<u>8,564</u>	<u>145</u>	<u>8,870</u>	<u>38,792</u>
Net assets, end of year	\$ 186,810	\$ 6,320	\$ 193,130	\$ 184,121

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Notes to Financial Statements, page 10

Year ended December 31, 2008

6. Restricted net assets (continued):

d) Change in restricted net assets:

	<u>Kelowna Family Y Centre</u>			
	Repairs and Maintenance Reserve	Deficit Reserve	2008	2007
Net assets, beginning of year	\$ 8,450	\$ 30,384	\$ 38,834	\$ 38,334
Transfers in net assets:				
Kelowna Family Y surplus allocation	-	534	534	500
Repairs and maintenance reserve	(373)	-	(373)	-
	(373)	534	161	500
Net assets, end of year	\$ 8,077	\$ 30,918	\$ 38,995	\$ 38,834

7. City of Kelowna contracts:

a) Kelowna Family Y agreement

The Association entered into an agreement with the City of Kelowna (the "City") effective January 1, 2002 for the operation of the Kelowna Family Y Centre facility (the "Facility") for a term of 30 years less 1 day from the execution date. The total capital program indicated in the agreement was valued at \$2,800,000 and involved investment by both the City and the Association. The agreement provides for an annual purchase of services by the City for the operation of the Facility.

The Association has secured financing for its portion (note 3); however, should the agreement terminate for any reason, the City agreed to assume any unpaid capital debt pertaining to the capital program to a maximum of \$1,750,000. In the event of completion of the contract, the City will also assume ownership of all capital improvements to the Facility and equipment for a transfer price of \$1. The agreement can be terminated by either party without cause on or after December 31, 2016 provided 18 months notice is given and certain other conditions met. In the event the agreement is terminated by the City, the City will assume ownership of all assets of the facility for a transfer price of \$1 plus the Association's capital investment and will assume any unpaid capital debt. The City will also compensate the Association with a lump sum payment equal to the greater of the average annual operating net surplus for the facility (determined based upon the five years prior to termination) multiplied by the number of years remaining in the term or \$100,000, as well as compensating the Association for costs associated with the termination.

Bridge financing was established by the City to a maximum amount of \$425,000. The balance of this financing as at December 31, 2008 was \$361,250 (2007 - \$403,750), as disclosed in the note 3.

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements, page 11

Year ended December 31, 2008

7. City of Kelowna contracts (continued):

Other commitments included in the contract include:

- i) Preventative and first-line repairs and maintenance, which shall not exceed \$32,553 and the unused portion in any year can be carried forward to a reserve account (Repairs and Maintenance Reserve). The City has access to this reserve to contribute to repairs and maintenance deemed to be the City's responsibility and any surpluses in the reserve will revert back to the City upon completion or termination of the agreement.
- ii) The Association is responsible to maintain a financial deficit reserve account to a minimum balance equal to 5% of the annual purchase of services payment by the City and will be used to fund future operating deficits. Any surpluses in the reserve will revert back to the City upon termination or completion of the agreement.
- iii) For the first 20 years, or until the capital debt is repaid, 50% of the annual net financial operating surpluses, as defined in the agreement with the City, must be reinvested in the Facility and facility operations, as determined by the Association, as follows:
 - a) Minimum of 65% shall be solely spent on the Facility and equipment improvements, development of capital reserves or reduction of debt;
 - b) Up to 25% shall be reinvested into the operations, the Facility or the equipment improvements; and
 - c) Up to 10% shall be used for additional funding of the deficit reserve.

The remaining 50% is available for use by the Association at its sole discretion.

After 20 years or after the debt is paid, 50% of the surplus will be retained by the Association and the remaining 50% will be retained by the City, half of which will be held in reserve for capital improvement of the Facility.

b) Mission Aquatic Centre agreement

The Association entered into an agreement with the City effective October 1, 2008 for the operation of the Mission Aquatic Centre facility (the "Mission Facility") for a term of 39 months expiring on December 31, 2011. The agreement provides for an annual purchase of services by the City for the operation of the Mission Facility. The City owns the facility, improvements to the Mission Facility and equipment within the Mission Facility. Any surplus or deficit from the operation of the Mission Facility is the responsibility of the City.

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements, page 12

Year ended December 31, 2008

8. Commitments and contingencies:

a) Employee benefit fund

The Association has an Administrative Services Only plan with Sun Life to provide extended health and dental benefits to its employees. Under the current plan, there is an extended health stop-loss pooling limit of \$5,000 per individual per year. Under this plan, the Association is responsible for all claims up to \$5,000 and any extended health claims in excess of this amount would be the responsibility of Sun Life.

The Association has set aside cash and cash equivalents totalling \$17,883 (2007 - \$51,572), to fund these claims, which are included in restricted cash and cash equivalents. Details of the transactions in the year are as follows:

	2008	2007
Surplus, beginning of year	\$ 51,572	\$ 41,262
Deposits	21,298	51,765
Claims paid	(47,397)	(35,845)
Administration charges	(8,425)	(7,358)
Interest income	835	1,748
Surplus, end of year	\$ 17,883	\$ 51,572

b) Other commitments

The Association has other commitments consisting of operating lease contracts for childcare locations and various office equipment.

Minimum payments expected in each of the next five years are approximately as follows:

2009	\$ 70,090
2010	51,567
2011	45,771
2012	31,388
2013	17,222

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Year ended December 31, 2008

9. Financial instruments:

a) Fair values

The fair value of the Association's cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying value due to the relatively short term to maturity of these instruments. The fair value of the bank term loan approximates its carrying value as it has a market-based rate of interest attached to its repayment. The fair value of the bridge financing from the City of Kelowna is not determinable given the absence of a market for such financial instruments.

b) Credit risk

The maximum credit risk exposure of the Association's financial assets is the carrying value of the asset.

10. Endowment:

The Association has an endowment, administered and recorded by the Central Okanagan Foundation in its financial statements which is permanently restricted and consequently not included as assets of the Association in these financial statements. Annual appropriations to the endowment consist of 10% of funds raised through the Association's annual giving campaign. Investment income received from the endowment is applied to fund National and International YMCA and YWCA projects. These funds at book and market values comprise:

	2008	2007
Book value, beginning of year	\$ 26,056	\$ 19,808
Annual appropriation	7,985	6,248
Book value, end of year	\$ 34,041	\$ 26,056

11. Comparative figures:

Certain 2007 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.