

Financial Statements of

**YMCA – YWCA OF THE
CENTRAL OKANAGAN**

Year ended December 31, 2009



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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, 2009 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, 2009 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font.

Chartered Accountants

Kelowna, Canada
March 3, 2010

YMCA-YWCA OF THE CENTRAL OKANAGAN

Statement of Financial Position

December 31, 2009, with comparative figures for 2008

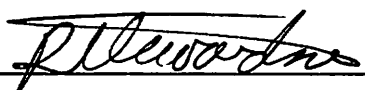
	2009	2008
Assets		
Current assets:		
Unrestricted cash	\$ 2,299,182	\$ 1,048,694
Accounts receivable	217,518	266,879
Inventories	10,810	6,187
Prepaid expenses and deposits	63,009	54,926
	<u>2,590,519</u>	<u>1,376,686</u>
Restricted cash and cash equivalents:		
Restricted for Community Programs (note 6(a))	219,467	193,130
Restricted for Kelowna Family Y Centre (note 6(a))	39,641	38,995
Restricted for Kelowna Family Y Capital Campaign (note 6(a))	1,174,350	604,572
Employee benefit fund (note 8(b))	15,088	17,883
	<u>1,448,546</u>	<u>854,580</u>
Property and equipment (note 2)	1,275,763	1,278,905
	<u>\$ 5,314,828</u>	<u>\$ 3,510,171</u>

Liabilities and Net Assets

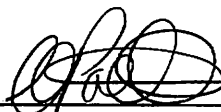
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,149,946	\$ 418,039
Deferred revenue	377,605	186,420
Current portion of long-term debt	96,250	96,250
	<u>1,623,801</u>	<u>700,709</u>
Long-term debt (note 3)	1,162,500	1,258,750
Deferred capital contributions (note 4)	878,000	166,996
Net assets:		
Invested in property and equipment (note 5)	349,198	285,155
Restricted for Community Programs (note 6)	219,467	193,130
Restricted for Kelowna Family Y Centre (note 6)	39,641	38,995
Restricted for Kelowna Family Y Capital Campaign (note 6)	304,165	437,576
Unrestricted	738,056	428,860
	<u>1,650,527</u>	<u>1,383,716</u>
Commitments and contingencies (notes 7 and 8)		
	<u>\$ 5,314,828</u>	<u>\$ 3,510,171</u>

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, 2009, with comparative figures for 2008

	Community Programs	Kelowna Family Y Centre	H2O Centre	2009	2008
Revenue:					
Program fees, memberships and admissions	\$ 469,225	\$ 1,992,037	\$ 2,423,446	\$ 4,884,708	\$ 2,465,175
City of Kelowna contracts (note 7)	-	631,289	268,413	899,702	751,827
Human Resources and Social Development Canada	799,408	-	-	799,408	664,821
Federal and provincial grants	160,440	8,772	1,680	170,892	200,678
Fundraising:					
Gaming	84,500	19,262	-	103,762	87,000
Other	103,217	-	-	103,217	100,156
	187,717	19,262	-	206,979	187,156
Other	22,181	108,401	66,386	196,968	128,620
Interest and investment income	4,650	-	-	4,650	41,696
	1,643,621	2,759,761	2,759,925	7,163,307	4,439,973
Expenditures:					
Program	1,402,362	1,146,063	1,711,228	4,259,653	2,283,678
Customer service and marketing	15,585	326,803	378,444	720,832	365,449
Administration	108,741	434,970	316,685	860,396	815,577
Facility	-	402,840	353,568	756,408	511,402
Amortization	11,510	130,479	-	141,989	143,901
Interest on long term debt	-	23,807	-	23,807	50,866
Kelowna Family Y Capital Campaign	-	133,411	-	133,411	62,424
	1,538,198	2,598,373	2,759,925	6,896,496	4,233,297
Excess of revenue over expenditures	\$ 105,423	\$ 161,388	\$ -	\$ 266,811	\$ 206,676

YMCA-YWCA OF THE CENTRAL OKANAGAN

Statement of Changes in Net Assets

Year ended December 31, 2009, with comparative figures for 2008

	Invested in Property and Equipment (note 5)	Restricted for Community Programs (note 6 (b))	Restricted for Kelowna Family Y Centre (note 6 (b))	Restricted for Kelowna Family Capital Campaign (note 6 (b))	Unrestricted	2009	2008
Net assets, beginning of year	\$ 285,155	\$ 193,130	\$ 38,995	\$ 437,576	\$ 428,860	\$ 1,383,716	\$1,177,040
Excess of revenue over expenditures:							
Operations	–	212	–	(133,411)	400,010	266,811	206,676
Amortization of deferred capital contributions	–	–	–	–	–	–	–
Amortization of property and equipment	(141,989)	–	–	–	141,989	–	–
	(141,989)	212	–	(133,411)	541,999	266,811	206,676
Net investment in property and equipment	206,032	–	–	–	(206,032)	–	–
Transfers in net assets	–	26,125	646	–	(26,771)	–	–
Net assets, end of year	\$ 349,198	\$ 219,467	\$ 39,641	\$ 304,165	\$ 738,056	\$ 1,650,527	\$1,383,716

See accompanying notes to financial statements.

YMCA-YWCA OF THE CENTRAL OKANAGAN

Statement of Cash Flows

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
Cash flows from operating activities:		
Cash received from program fees, memberships and admissions	\$ 4,884,708	\$ 2,465,175
Cash received from Human Resources and Social Development Canada	799,408	664,821
Cash received from City of Kelowna	978,966	666,515
Cash received from other revenues	729,906	443,293
Cash paid to suppliers and employees	(6,011,499)	(3,962,656)
Interest income received on unrestricted cash	4,438	37,633
	<u>1,385,927</u>	<u>314,781</u>
Cash flows from investing activities:		
Purchase of property and equipment	(141,224)	(109,784)
Proceeds on disposal of assets	6,850	765
Increase in restricted cash and cash equivalents	(593,966)	(579,691)
Interest and investment income received on restricted cash and cash equivalents	212	4,063
Deferred capital contributions received	712,746	166,996
	<u>(15,382)</u>	<u>(517,651)</u>
Cash flows from financing activities:		
Repayment of long-term debt	(96,250)	(117,500)
Interest paid on long-term debt	(23,807)	(50,866)
	<u>(120,057)</u>	<u>(168,366)</u>
Increase (decrease) in unrestricted cash	1,250,488	(371,236)
Unrestricted cash, beginning of year	1,048,694	1,419,930
Unrestricted cash, end of year	<u>\$ 2,299,182</u>	<u>\$ 1,048,694</u>

See accompanying notes to financial statements.

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2009

The YMCA-YWCA of the Central Okanagan (the "Association") is a charitable organization, incorporated under the Society Act (British Columbia), serving the Central 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 of merchandise and consumable supplies 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

Year ended December 31, 2009

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% - 33%
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 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

Year ended December 31, 2009

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) Restricted for Kelowna Family Y Capital Campaign

Net assets restricted for the Kelowna Family Y 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.

(h) Allocation of expenditures

The Association allocates certain marketing and overhead expenditures between community programs and the Kelowna Family Y Centre. These costs are allocated on a consistent basis each year based on the overall level of activity in the programs.

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2009

1. Significant accounting policies (continued):

(i) 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.

(j) 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.

(k) Employee future benefits:

The Association's employees are eligible to enrol in a defined contribution retirement plan offered by YMCA-Canada. The total expense for the year ended December 31, 2009 related to this plan totalled \$70,634 (2008 - \$59,668).

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2009

1. Significant accounting policies (continued):

(l) New accounting pronouncements:

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

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 property and equipment as a separate component of net assets. The Association continues to present net assets invested in property and equipment as a separate component of net assets. The Association allocation of expenses between its core programs is disclosed in note 1(h).

Section 1400, General Standards of Financial Statement Presentation, which includes requirements for management to assess and disclose an entity's ability to continue as a going concern. Management has made its assessment and concluded there is no issue regarding the Association's ability to continue as a going concern based on the assumption that the current funding levels are maintained and any committed additional future funding is received. If there are significant declines in funding, expenditures will be adjusted to match committed funding.

Section 1535, Capital Disclosures, establishes guidelines for the disclosure of information regarding an entity's capital and how it is managed. The section was applicable for the Association's fiscal year commencing January 1, 2009. It requires enhanced disclosure with respect to the objectives, policies and processes for managing capital, quantitative data about the entity's capital and disclosures about the entity's compliance with capital requirements and consequences of any non-compliance. The Association's disclosure in regards of this section is located in note 11.

ii) Accounting pronouncements issued but not yet effective:

In March 2010, the Accounting Standards Board ("AcSB") released an exposure draft prescribing a new accounting framework for not-for-profit organizations ("NPOs"), such as the Association. The proposed accounting framework will incorporate current CICA Handbook Sections 4400 to 4470 into the AcSB's new accounting handbook, which prescribes accounting standards for Canadian private and publicly accountable entities. The exposure draft is open for comment until July 15, 2010. The proposed accounting framework would be effective for the Association for its fiscal year commencing January 1, 2012. The Association is in the process of reviewing the impact of these documents on its reporting framework and financial statements.

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2009

2. Property and equipment:

			2009	2008
	Cost	Accumulated amortization	Net book value	Net book value
Kelowna Family Y Centre:				
Building improvements	\$ 1,480,027	\$ 394,673	\$ 1,085,354	\$ 1,134,688
Fitness equipment	422,632	362,399	60,233	79,204
Computer equipment	221,846	105,435	16,411	8,296
Office equipment	257,491	213,562	43,929	16,342
Communications equipment	51,530	47,506	4,024	5,827
Leasehold improvements	20,207	4,715	15,492	19,533
	2,453,733	1,228,290	1,225,443	1,263,890
Community Programs:				
Automotive equipment	90,553	48,286	42,267	14,367
Computer equipment	37,180	36,942	238	648
Program equipment	25,123	25,123	–	–
Office equipment	6,463	6,463	–	–
	159,319	116,814	42,505	15,015
Kelowna Family Y Capital Campaign:				
Fitness equipment	9,557	1,742	7,815	–
	\$ 2,622,609	\$ 1,346,846	\$ 1,275,763	\$ 1,278,905

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 \$39,000 paid in 2009 and \$36,000 paid in 2006 for the use of four 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 the Association’s share of any proceeds from the disposal in that period.

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2009

3. Long term debt:

	2009	2008
Bank term loan, repayable in monthly instalments of \$6,250 plus interest at the lender's prime rate, due March 18, 2022	\$ 918,750	\$ 993,750
Bridge financing from the City of Kelowna, non-interest bearing, payable in cumulative annual repayments of not less than \$21,250	340,000	361,250
	1,258,750	1,355,000
Current portion due within one year	96,250	96,250
	\$ 1,162,500	\$ 1,258,750

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, 2009.

Principal payments required in each of the next five years, are as follows:

2010 - \$96,250; 2011 - \$96,250; 2012 - \$96,250; 2013 - \$96,250; 2014 - \$96,250.

4. Deferred capital contributions:

	2009	2008
Balance, beginning of year	\$ 166,996	\$ 32,335
Contributions received in the year	712,746	166,996
Amount amortized to revenue	(1,742)	(32,335)
Balance, end of year	\$ 878,000	\$ 166,996

Deferred capital contributions as at December 31, 2009 and 2008 relate entirely to the Kelowna Family Y Capital Campaign (note 6(c)).

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2009

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	2009	2008
Property and equipment	\$ 42,505	\$ 1,225,443	\$ 1,267,948	\$ 1,278,905
Less amount financed by Long-term debt	–	(918,750)	(918,750)	(993,750)
	\$ 42,505	\$ 306,693	\$ 349,198	\$ 285,155

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

	Community Programs	Kelowna Family Y Centre	2009	2008
Balance, December 31, 2008	\$ 15,015	\$ 270,140	\$ 285,155	\$ 212,702
Deficiency of revenue over expenditures:				
Amortization of deferred capital contributions	–	–	–	32,335
Amortization of property and equipment	(11,510)	(130,479)	(141,989)	(143,901)
	(11,510)	(130,479)	(141,989)	(111,566)
Net investment in property and equipment:				
Property and equipment purchases	39,000	92,667	131,667	109,019
Net book value of property and equipment disposals	–	(635)	(635)	–
Repayment of long-term debt	–	75,000	75,000	75,000
	39,000	167,032	206,032	184,019
Balance, December 31, 2009	\$ 42,505	\$ 306,693	\$ 349,198	\$ 285,155

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2009

6. Restricted net assets:

a) Restricted net asset balances

	2009	2008
Cash and equivalents and net assets restricted for Community Programs consist of the following:		
Capital Fund	\$ 213,140	\$ 186,810
Employment Centres Facilities Reserve	6,327	6,320
	<u>219,467</u>	<u>193,130</u>
Cash and equivalents and net assets restricted for Kelowna Family Y Centre consist of the following:		
Repairs and Maintenance Reserve	8,077	8,077
Deficit Reserve	31,564	30,918
	<u>39,641</u>	<u>38,995</u>
Net assets restricted for Kelowna Family Y Capital Campaign consist of the following:		
Cash and cash equivalents	1,174,350	604,572
Property and equipment	7,815	-
Deferred capital contributions	(878,000)	(166,996)
	<u>304,165</u>	<u>437,576</u>
	<u>\$ 563,273</u>	<u>\$ 669,701</u>

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

i) Community programs:

	Capital Fund	Employment Centres Facilities Reserve	2009	2008
Net assets, beginning of year	\$ 186,810	\$ 6,320	\$ 193,130	\$ 184,421
Excess of revenue over expenses	205	7	212	4,063
Transfers in net assets: Community programs surplus allocation	26,125	-	26,125	4,646
Net assets, end of year	<u>\$ 213,140</u>	<u>\$ 6,327</u>	<u>\$ 219,467</u>	<u>\$ 193,130</u>

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2009

6. Restricted net assets (continued):

b) Change in restricted net assets (continued):

ii) Kelowna Family Y Centre:

	Repairs and Maintenance Reserve	Deficit Reserve	2009	2008
Net assets, beginning of year	\$ 8,077	\$ 30,918	\$ 38,995	\$ 38,334
Transfers in net assets:				
Kelowna Family Y surplus allocation	–	646	646	534
Repairs and maintenance reserve	–	–	–	(373)
	–	646	646	161
Net assets, end of year	\$ 8,077	\$ 31,564	\$ 39,641	\$ 38,995

iii) Kelowna Family Y Capital Campaign:

	2009	2008
Net assets, beginning of year	\$ 437,576	\$ –
Expenditures in excess of revenue expenditures	(133,411)	(62,424)
Amortization of property and equipment	(1,742)	–
Amortization of deferred capital contributions	1,742	–
	(133,411)	(62,424)
Net investment in property and equipment purchases	9,557	–
Purchases financed by deferred capital contributions	(9,557)	–
	–	–
Transfers in net assets		
Association contributions	–	(500,000)
Net assets, end of year	\$ 304,165	\$ 437,576

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2009

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, 2009 was \$340,000 (2008 - \$361,250), as disclosed in the note 3.

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2009

7. City of Kelowna contracts (continued):

Other commitments included in the contract include:

- i) The Association is responsible for preventative and first-line repairs and maintenance with a threshold of \$33,835 for the 2009 fiscal year. If the amount spent by the Association is less than this threshold, 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) H2O Fitness and Adventure Centre

The Association entered into an agreement with the City effective October 1, 2008 for the operation of the H2O Fitness and Adventure Centre (the "H2O Centre") for a term of 39 months expiring on December 31, 2011. The City owns the facility, improvements to the H2O Centre and equipment within the H2O Centre. Any surplus or deficit from the operation of the H2O Centre is the responsibility of the City. Accounts payable and accrued liabilities as at December 31, 2009 includes \$502,719 (2008 - \$nil) of unexpended funding from the City of Kelowna related to this contract.

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

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 \$15,000 per individual per year. Under this plan, the Association is responsible for all claims up to \$15,000 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 \$15,088 (2008 - \$17,883), to fund these claims, which are included in restricted cash and cash equivalents. Details of the transactions in the year are as follows:

	2009	2008
Surplus, beginning of year	\$ 17,883	\$ 51,572
Deposits	79,916	21,298
Claims paid	(70,912)	(47,397)
Administration charges	(11,811)	(8,425)
Interest income	12	835
Surplus, end of year	\$ 15,088	\$ 17,883

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:

2010	\$ 73,677
2011	49,401
2012	35,019
2013	21,730
2014	1,526

c) Litigation and claims

Management reviews its exposure to any potential litigation for which it would not be covered by insurance and whether a successful claim against the Association would materially affect its financial statements. The Association is currently not aware of any claims brought against it that if not defended successfully would result in a material loss in these financial statements.

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Year ended December 31, 2009

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) Interest, credit and other risks:

The Association is exposed to interest rate risks with respect to its cash equivalents investments and long term debt arrangements. Unless otherwise disclosed, the Association is not exposed to significant foreign exchange or 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:

	2009	2008
Book and market value, beginning of year	\$ 34,041	\$ 26,056
Annual appropriation	8,387	7,985
Interest	890	-
Book and market value, end of year	\$ 43,318	\$ 34,041

11. Capital disclosures:

The Association defines capital to be net assets and deferred capital contributions. The Association's objective when managing capital is to fund its operations and property and equipment investments. The Association manages property and equipment investment in connection with its future operating requirement and operating agreements with the City of Kelowna.