

Financial Statements of

**YMCA – YWCA OF THE
CENTRAL OKANAGAN**

Year ended December 31, 2010



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of YMCA-YWCA of the Central Okanagan (the "Association") which comprise the statement of financial position as at December 31, 2010, the statements of operations, changes in net assets, and cash flows for the year then ended, and notes comprising 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 generally accepted accounting principles, 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 an audit to obtain reasonable assurance about whether the consolidated 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 our 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, we consider internal control relevant to the Association'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 Association'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 YMCA-YWCA of the Central Okanagan as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Kelowna, Canada
April 19, 2011

YMCA-YWCA OF THE CENTRAL OKANAGAN

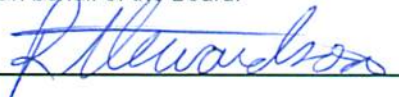
Statement of Financial Position

December 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Current assets:		
Unrestricted cash	\$ 2,383,775	\$ 2,299,182
Accounts receivable	539,917	217,518
Inventories	19,832	10,810
Prepaid expenses and deposits	64,005	63,009
	<u>3,007,529</u>	<u>2,590,519</u>
Restricted cash and cash equivalents:		
Restricted for Community Programs (note 6(a))	252,750	219,467
Restricted for Kelowna Family Y Centre (note 6(a))	36,653	39,641
Restricted for Kelowna Family Y Capital Campaign (note 6(a))	2,251,081	1,174,350
Employee benefit fund (note 8(b))	22,007	15,088
	<u>2,562,491</u>	<u>1,448,546</u>
Property and equipment (note 2)	2,367,079	1,275,763
	<u>\$ 7,937,099</u>	<u>\$ 5,314,828</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,954,723	\$ 1,149,946
Deferred revenue	415,336	377,605
Current portion of long-term debt	96,250	96,250
	<u>2,466,309</u>	<u>1,623,801</u>
Long-term debt (note 3)	1,066,250	1,162,500
Deferred capital contributions (note 4)	2,397,248	878,000
Net assets:		
Invested in property and equipment (note 5)	309,373	349,198
Restricted for Community Programs (note 6)	252,750	219,467
Restricted for Kelowna Family Y Centre (note 6)	36,653	39,641
Restricted for Kelowna Family Y Capital Campaign (note 6)	207,691	304,165
Unrestricted	1,200,825	738,056
	<u>2,007,292</u>	<u>1,650,527</u>
Commitments and contingencies (notes 7 and 8)		
	<u>\$ 7,937,099</u>	<u>\$ 5,314,828</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, 2010, with comparative figures for 2009

	Community Programs	Kelowna Family Y Centre	H2O Centre	2010	2009
Revenue:					
Program fees, memberships and admissions	\$ 620,629	\$ 1,874,817	\$ 3,731,335	\$ 6,226,781	\$ 4,884,708
City of Kelowna contracts (note 7)	-	631,289	-	631,289	899,702
Human Resources and Social Development Canada	838,349	-	-	838,349	799,408
Federal and provincial grants	177,172	7,542	-	184,714	170,892
Fundraising:					
Gaming	40,396	17,850	-	58,246	103,762
Other	117,760	19,810	-	137,570	103,217
	158,156	37,660	-	195,816	206,979
Other	7,011	100,242	89,455	196,708	196,968
Interest and investment income	8,837	-	-	8,837	4,650
	1,810,154	2,651,550	3,820,790	8,282,494	7,163,307
Expenditures:					
Program	1,540,569	1,136,562	2,223,255	4,900,386	4,259,653
City of Kelowna contracts (note 7)	-	-	94,744	94,744	-
Customer service and marketing	16,132	331,802	536,880	884,814	720,832
Administration	82,014	328,055	423,879	833,948	860,396
Facility	-	421,396	542,032	963,428	756,408
Amortization	14,622	114,719	-	129,341	141,989
Interest on long term debt	-	22,594	-	22,594	23,807
Kelowna Family Y Capital Campaign	-	96,474	-	96,474	133,411
	1,653,337	2,451,602	3,820,790	7,925,729	6,896,496
Excess of revenue over expenditures	\$ 156,817	\$ 199,948	\$ -	\$ 356,765	\$ 266,811

YMCA-YWCA OF THE CENTRAL OKANAGAN

Statement of Changes in Net Assets

Year ended December 31, 2010, with comparative figures for 2009

	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	2010	2009
Net assets, beginning of year	\$ 349,198	\$ 219,467	\$ 39,641	\$ 304,165	\$ 738,056	\$ 1,650,527	\$1,383,716
Excess of revenue over expenditures:							
Operations	–	406	–	(96,474)	452,833	356,765	266,811
Amortization of deferred capital contributions	4,980	–	–	–	(4,980)	–	–
Amortization of property and equipment	(129,341)	–	–	–	129,341	–	–
	(124,361)	406	–	(96,474)	577,194	356,765	266,811
Net investment in property and equipment	84,536	–	–	–	(84,536)	–	–
Transfers in net assets	–	32,877	(2,988)	–	(29,889)	–	–
Net assets, end of year	\$ 309,373	\$ 252,750	\$ 36,653	\$ 207,691	\$ 1,200,825	\$ 2,007,292	\$1,650,527

See accompanying notes to financial statements.

YMCA-YWCA OF THE CENTRAL OKANAGAN

Statement of Cash Flows

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Cash flows from operating activities:		
Cash received from program fees, memberships and admissions	\$ 6,226,781	\$ 4,884,708
Cash received from Human Resources and Social Development Canada	838,349	799,408
Cash received from City of Kelowna	660,284	978,966
Cash received from Western Economic Diversification	127,360	-
Cash received from other revenues	611,425	729,906
Cash paid to suppliers and employees	(8,191,963)	(6,011,499)
Interest income received on unrestricted cash	8,431	4,438
	280,667	1,385,927
Cash flows from investing activities:		
Purchase of property and equipment	(21,501)	(141,224)
Purchase of construction in progress	(127,360)	-
Proceeds on disposal of assets	-	6,850
Increase in restricted cash and cash equivalents	(1,113,945)	(593,966)
Interest and investment income received on restricted cash and cash equivalents	406	212
Deferred capital contributions received	1,185,170	712,746
	(77,230)	(15,382)
Cash flows from financing activities:		
Repayment of long-term debt	(96,250)	(96,250)
Interest paid on long-term debt	(22,594)	(23,807)
	(118,844)	(120,057)
Increase in unrestricted cash	84,593	1,250,488
Unrestricted cash, beginning of year	2,299,182	1,048,694
Unrestricted cash, end of year	\$ 2,383,775	\$ 2,299,182

See accompanying notes to financial statements.

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2010

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, 2010

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, 2010

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. Costs incurred in the construction phase of the expansion are included as construction in progress in property and equipment. Once construction is completed and the expansion is available for use, the restricted net assets will be reclassified to net assets invested in property and equipment.

(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, 2010

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 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 expense for the year ended December 31, 2010 related to this plan totalled \$75,336 (2009 - \$70,634).

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2010

1. Significant accounting policies (continued):

(l) New accounting pronouncements:

In December 2010 the Canadian Institute of Chartered Accountants issued Part III of the CICA Handbook – *Accounting Standards for Not-For-Profit Organizations*. The standards provide non-profit organizations the choice of applying accounting standards for private enterprises supplemented by the Part III standards unique to non-profit organizations, or international financial reporting standards. The new standards are applicable to annual financial statements relating to fiscal years beginning on or after January 1, 2012. The Association is in the process of reviewing the impact of these standards on its reporting framework and financial statements.

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2010

2. Property and equipment:

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
Kelowna Family Y Centre:				
Building improvements	\$ 1,480,027	\$ 444,007	\$ 1,036,020	\$ 1,085,354
Fitness equipment	422,632	398,290	24,342	60,233
Computer equipment	227,150	213,058	14,092	16,411
Office equipment	261,722	225,362	36,360	43,929
Communications equipment	51,530	48,556	2,974	4,024
Leasehold improvements	20,207	8,756	11,451	15,492
	2,463,268	1,338,029	1,125,239	1,225,443
Community Programs:				
Automotive equipment	90,553	62,670	27,883	42,267
Computer equipment	37,181	37,181	–	238
Program equipment	25,123	25,123	–	–
Office equipment	6,463	6,463	–	–
	159,320	131,437	27,883	42,505
Kelowna Family Y Capital Campaign:				
Fitness equipment	21,522	6,722	14,800	7,815
Construction in progress	1,199,157	–	1,199,157	–
	1,220,679	6,722	1,213,957	7,815
	\$ 3,843,267	\$ 1,476,188	\$ 2,367,079	\$ 1,275,763

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.

Construction in progress consists of the Association’s portion of costs incurred on the Kelowna Family Y Capital Expansion. Construction began during the year and is expected to be completed in 2011. Costs to be incurred by the Association are approximated to be \$3,144,000. The construction in progress balance includes \$339,058 (2009 - \$nil) to be received as part of a Western Economic Diversification (“WED”) contribution (note 7(a)) towards the Kelowna Family Y Capital Expansion.

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2010

3. Long term debt:

	2010	2009
Bank term loan, repayable in monthly instalments of \$6,250 plus interest at the lender's prime rate, due March 18, 2022	\$ 843,750	\$ 918,750
Bridge financing from the City of Kelowna, non-interest bearing, payable in cumulative annual repayments of not less than \$21,250	318,750	340,000
	1,162,500	1,258,750
Current portion due within one year	96,250	96,250
	\$ 1,066,250	\$ 1,162,500

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 \$250,000. No amount was drawn on the operating line of credit as at December 31, 2010.

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

2011	\$ 96,250
2012	96,250
2013	96,250
2014	96,250
2015	96,250

4. Deferred capital contributions:

	2010	2009
Balance, beginning of year	\$ 878,000	\$ 166,996
Contributions received or receivable	1,524,228	712,746
Amount amortized to revenue	(4,980)	(1,742)
Balance, end of year	\$ 2,397,248	\$ 878,000

Deferred capital contributions as at December 31, 2010 and 2009 relate entirely to the Kelowna Family Y Capital Campaign (note 6b(iii)).

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2010

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	2010	2009
Property and equipment	\$ 27,883	\$ 1,125,240	\$ 1,153,123	\$ 1,267,948
Less amount financed by Long-term debt	-	(843,750)	(843,750)	(918,750)
	\$ 27,883	\$ 281,488	\$ 309,373	\$ 349,198

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

	Community Programs	Kelowna Family Y Centre	2010	2009
Balance, December 31, 2009	\$ 42,505	\$ 306,693	\$ 349,198	\$ 285,155
Deficiency of revenue over expenditures:				
Amortization of deferred capital contributions	-	4,980	4,980	1,742
Amortization of property and equipment	(14,622)	(114,719)	(129,341)	(143,731)
	(14,622)	(109,739)	(124,361)	(141,989)
Net investment in property and equipment:				
Property and equipment purchases	-	9,536	9,536	131,667
Repayment of long-term debt	-	75,000	75,000	75,000
Net book value of property and equipment disposals	-	-	-	(635)
	-	84,536	84,536	206,032
Balance, December 31, 2010	\$ 27,883	\$ 281,490	\$ 309,373	\$ 349,198

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2010

6. Restricted net assets:

a) Restricted net asset balances

	2010	2009
Cash and cash equivalents and net assets restricted for Community Programs consist of the following:		
Capital Fund	\$ 252,750	\$ 213,140
Employment Centres Facilities Reserve	-	6,327
	<u>252,750</u>	<u>219,467</u>
Cash and cash equivalents and net assets restricted for Kelowna Family Y Centre consist of the following:		
Repairs and Maintenance Reserve	5,089	8,077
Deficit Reserve	31,564	31,564
	<u>36,653</u>	<u>39,641</u>
Net assets restricted for Kelowna Family Y Capital Campaign consist of the following:		
Cash and cash equivalents	2,251,081	1,174,350
Accounts receivable	352,831	-
Property and equipment	1,213,957	7,815
Accounts payable and accrued liabilities	(1,212,930)	-
Deferred capital contributions	(2,397,248)	(878,000)
	<u>207,691</u>	<u>304,165</u>
	<u>\$ 497,094</u>	<u>\$ 563,273</u>

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

i) Community programs:

	Capital Fund	Employment Centres Facilities Reserve	2010	2009
Net assets, beginning of year	\$ 213,140	\$ 6,327	\$ 219,467	\$ 193,130
Excess of revenue over expenses	406	-	406	212
Transfers in net assets: Community programs surplus allocation	39,204	(6,327)	32,877	26,125
Net assets, end of year	<u>\$ 252,750</u>	<u>\$ -</u>	<u>\$ 252,750</u>	<u>\$ 219,467</u>

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2010

6. Restricted net assets (continued):

b) Change in restricted net assets (continued):

ii) Kelowna Family Y Centre:

	Repairs and Maintenance Reserve	Deficit Reserve	2010	2009
Net assets, beginning of year	\$ 8,077	\$ 31,564	\$ 39,641	\$ 38,995
Transfers in net assets:				
Kelowna Family Y surplus allocation	–	–	–	646
Repairs and maintenance reserve	(2,988)	–	(2,988)	–
	–	–	(2,988)	646
Net assets, end of year	\$ 5,089	\$ 31,564	\$ 36,653	\$ 39,641

iii) Kelowna Family Y Capital Campaign:

	2010	2009
Net assets, beginning of year	\$ 304,165	\$ 437,576
Expenditures in excess of revenue expenditures	(96,474)	(133,411)
Amortization of property and equipment	(4,980)	(1,742)
Amortization of deferred capital contributions	4,980	1,742
	(96,474)	(133,411)
Net investment in property and equipment purchases	1,211,122	9,557
Purchases financed by deferred capital contributions	(1,211,122)	(9,557)
	–	–
Net assets, end of year	\$ 207,691	\$ 304,165

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2010

7. City of Kelowna contracts:

a) Kelowna Family Y agreement

The Association entered into an agreement with the City of Kelowna (the "City") effective March 19, 2001, and a subsequent Amending Agreement effective April 1, 2010, for the operation of the Kelowna Family YMCA-YWCA facility (the "Facility") for a term of 30 years less 1 day from the Amending Agreement execution date. The Amending Agreement includes a capital program valued at \$5,950,542 and involved investment by both the City (\$1,806,542) and the Association (\$3,144,000). The agreement provides for an annual purchase of services by the City for the operation of the Facility.

The Association entered into an agreement with the Minister of Western Economic Diversification (the "Minister") effective November 23, 2009, and subsequently amended March 15, 2011, for a financial contribution under the Recreational Infrastructure Canada Program ("RInC"). The Minister shall provide a non-repayable contribution not exceeding \$1,000,000 towards the Facility's 2010 Capital Expansion with the Association and the City listed as joint applicants. The RInC agreement expires on October 31, 2011 and as such, no costs incurred subsequent to that date will be assisted by the Minister. Pursuant to the terms of the agreement, the Association may be required to repay the contributions received if the Capital Expansion is not materially complete prior to October 31, 2011.

The Association has secured financing, however, should the agreement terminate for any reason, the City agreed to assume any remaining capital debt incurred by the Association to finance the capital improvements or equipment purchases to a maximum of \$2,500,000. 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 April 1, 2025 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 plus interest paid to finance the capital improvements or equipment purchases 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.

YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2010

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 2010 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) Until January 1, 2031, 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 January 1, 2031, 50% of the surplus will be retained by the Association and the remaining 50% will be retained by the City.

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, 2010 includes \$209,119 (2009 - \$502,719) 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, 2010

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 \$22,007 (2009 - \$15,088), to fund these claims, which are included in restricted cash and cash equivalents. Details of the transactions in the year are as follows:

	2010	2009
Surplus, beginning of year	\$ 15,088	\$ 17,883
Deposits	102,079	79,916
Claims paid	(81,469)	(70,912)
Administration charges	(13,714)	(11,811)
Interest income	23	12
Surplus, end of year	\$ 22,007	\$ 15,088

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 four years are approximately as follows:

2011	\$ 99,229
2012	51,725
2013	21,284
2014	1,427

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, 2010

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:

	2010	2009
Book and market value, beginning of year	\$ 43,318	\$ 34,041
Annual appropriation	11,175	8,387
Interest	1,134	890
Book and market value, end of year	\$ 55,627	\$ 43,318

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.