

Financial Statements of

YMCA OF OKANAGAN ASSOCIATION

Year ended December 31, 2020

YMCA OF OKANAGAN ASSOCIATION

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash & cash equivalents	\$ 1,039,227	\$ 2,321,286
Accounts receivable	1,831,910	318,010
Inventories	29,885	12,179
Prepaid expenses & deposits	65,741	23,234
	<u>2,966,763</u>	<u>2,674,708</u>
Restricted cash & investments (note 2)	6,890,329	5,177,230
Tangible capital assets (note 3)	7,043,754	6,264,315
	<u>\$ 16,900,846</u>	<u>\$ 14,116,253</u>
Liabilities & Net Assets		
Current liabilities:		
Accounts payable & accrued liabilities	\$ 1,292,640	\$ 1,217,662
Deferred revenue & deposits	602,876	664,548
Scheduled repayments for demand loans (note 4a)	68,241	109,372
Current portion of long-term debt (note 4b)	21,250	21,250
	<u>1,985,007</u>	<u>2,012,832</u>
Demand loans (note 4a)	544,495	560,010
	<u>2,529,502</u>	<u>2,572,842</u>
Deferred contributions (note 5)	4,356,249	3,165,852
Long-term debt (note 4b)	85,000	106,250
	<u>6,970,751</u>	<u>5,844,944</u>
Net assets:		
Unrestricted	1,000,000	700,000
Invested in tangible capital assets (note 6)	3,149,444	3,056,770
Liquidity Reserve (note 7)	1,000,000	1,000,000
Center of Community Development Reserve (note 7)	2,789,274	1,800,000
Strategic Reserve (note 7)	1,951,191	1,674,353
Kelowna Family YMCA Reserves (note 7)	40,186	40,186
	<u>9,930,095</u>	<u>8,271,309</u>
	<u>\$ 16,900,846</u>	<u>\$ 14,116,253</u>

Commitments and contingencies (notes 8 & 9)

Subsequent events (note 4a & 8b)

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

YMCA OF OKANAGAN ASSOCIATION

Statement of Operations

Year Ended December 31, 2020, with comparative figures for 2019

	2020	2019
Revenue:		
Admissions & memberships	\$ 3,855,144	\$ 7,968,383
Programs & rentals	1,520,451	2,171,426
Operational funding (note 10)	6,191,671	4,174,414
Fund development (note 10)	750,017	765,096
Investment income, net of unrealized gains and losses	606,072	554,969
Other revenue	103,188	207,457
	<hr/>	<hr/>
	13,026,543	15,841,745
Amortization of deferred capital contributions (note 5)	231,589	262,664
Gain on disposal of tangible capital assets	-	2,819
	<hr/>	<hr/>
	13,258,132	16,107,228
Expenses:		
Bank charges & interest	122,175	223,016
Contract services	236,105	484,025
Information technology	564,475	1,006,743
Insurance	75,108	76,937
Labour	8,087,169	10,339,617
Marketing	129,321	246,210
Occupancy	487,482	599,585
Other expenses	71,317	65,095
Participant costs	303,311	657,063
Repairs & maintenance	140,582	154,300
Staff & volunteer expense	157,424	282,766
Supplies	393,373	550,931
YMCA national	118,034	221,119
	<hr/>	<hr/>
	10,885,876	14,907,407
Depreciation of tangible capital assets	866,203	987,300
	<hr/>	<hr/>
	11,752,079	15,894,707
Net contribution before allocation	1,506,053	212,521
H2O City of Kelowna allocation (note 8b)	(152,733)	90,147
	<hr/>	<hr/>
Net contribution	\$ 1,658,786	\$ 122,374

See accompanying notes to financial statements.

YMCA OF OKANAGAN ASSOCIATION

Statement of Changes in Net Assets

Year Ended December 31, 2020, with comparative figures for 2019

	Invested in Tangible Capital Assets	Liquidity Reserve	Center of Community Development Reserve	Strategic Reserve	Kelowna Family YMCA Reserves	Unrestricted	2020	2019
	(note 6)							
Net assets, beginning of year	\$ 3,056,770	\$ 1,000,000	\$ 1,800,000	\$ 1,674,353	\$ 40,186	\$ 700,000	\$ 8,271,309	\$ 8,148,935
Net contribution:								
Operations	-	-	29,216	66,616	-	1,562,954	1,658,786	122,374
Amortization of deferred capital contributions	231,589	-	-	-	-	(231,589)	-	-
Depreciation of tangible capital assets	(866,203)	-	-	-	-	866,203	-	-
	(634,614)	-	29,216	66,616	-	2,197,568	1,658,786	122,374
Net investment in tangible capital assets	727,288	-	(509,942)	-	-	(217,346)	-	-
Transfers in net assets	-	-	1,470,000	210,222	-	(1,680,222)	-	-
Net assets, end of year	\$ 3,149,444	\$ 1,000,000	\$ 2,789,274	\$ 1,951,191	\$ 40,186	\$ 1,000,000	\$ 9,930,095	\$ 8,271,309

YMCA OF OKANAGAN ASSOCIATION

Statement of Cash Flows

Year Ended December 31, 2020, with comparative figures for 2019

	2020	2019
Cash flows from operating activities:		
Net contribution	\$ 1,658,786	\$ 122,374
Add (deduct) items not involving cash:		
Amortization of deferred capital contributions	(231,589)	(262,664)
Depreciation of tangible capital assets	866,203	987,300
Information technology expense	-	424,673
Gain on disposal of tangible capital assets	-	(2,819)
Unrealized investment (gain) loss	(376,168)	(332,042)
	258,446	814,448
Change in non-cash working capital balances:		
Accounts receivable	(1,513,899)	104,425
Inventories	(17,706)	19,632
Prepaid expenses & deposits	(42,507)	79,908
Accounts payable & accrued liabilities	74,978	(252,610)
Deferred revenue & deposits	(61,672)	49,433
Deferred contributions for future period expenses	734,486	59,125
	(826,320)	59,913
	1,090,912	996,735
Cash flows from investing activities:		
Change in restricted cash & investments	(1,336,931)	(650,631)
Net purchase of tangible capital assets	(1,645,644)	(588,677)
	(2,982,575)	(1,239,308)
Cash flows from financing activities:		
Receipt of deferred contributions for capital acquisition	687,500	237,521
Repayment of long term debt and demand loans	(77,896)	(126,799)
	609,604	110,722
Change in unrestricted cash and cash equivalents	(1,282,059)	(131,851)
Unrestricted cash and cash equivalents, beginning of year	2,321,286	2,453,137
Unrestricted cash and cash equivalents, end of year	\$ 1,039,227	\$ 2,321,286

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2020

The YMCA of Okanagan Association (the "Association") is a charitable organization, incorporated under the Societies Act (British Columbia), 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 YMCA'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.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and British Columbia governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in British Columbia. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable.

The challenging economic climate resulted in a temporary disruption in the Association's operations and new operating protocols in accordance with provincial and federal operating guidelines. The Association has applied for and received government funding through COVID-19 related programs (note 10). The impact of the current operating climate has had an adverse effect on revenue and may lead to continued adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Association's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the business is not known at this time.

1. Summary of Significant Accounting Policies

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

(a) Revenue recognition

Revenue from admissions, memberships, programs, and rentals is recognized as the services are provided. Deferred revenue represents cash received related to programs, rentals, and memberships for which services will be provided in a future period.

The Association follows the deferral method of accounting for contributions. Operational funding includes contributions from the Government of Canada, the Government of British Columbia, the City of Kelowna, and the Interior Health Authority. Revenue is recognized as the services are provided in accordance with the terms of the applicable agreement and includes revenue from employment programs to reimburse the Association for certain expenses incurred on behalf of participants. The corresponding expense amount is reflected as participant costs.

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2020

1. Summary of Significant Accounting Policies (continued)

(a) Revenue recognition (continued)

Fund development revenue includes contributions from governments, foundations, corporations, not-for-profit organizations, and individuals. Fund development–gaming revenue includes contributions associated with the British Columbia Community Gaming Grant. For each of these revenue streams, revenue is recognized when the cash is received, and any external restrictions have been met.

Investment revenue includes interest, dividends, and realized gains or losses from disposal of investments. Unrealized gains or losses, arising from changes in quoted market value of investments are presented in investment income in the statement of operations.

(b) Cash and cash equivalents

Cash and cash equivalents include cash, guaranteed investment certificates and term deposits readily convertible into cash.

(c) Inventories

Inventories, which consist of merchandise and consumable supplies, are recorded at the lower of cost, determined on a first-in/first-out basis, and replacement cost.

(d) Tangible capital assets

Purchased tangible capital assets are recorded at cost, less accumulated amortization. Contributed tangible capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis at the following annual rates:

	Rate
Building	5%
Leasehold improvements	3.34 - 20%
Office equipment	20%
Program equipment	33%
Computer hardware & software	33%
Vehicles	20%

The Association tests tangible capital assets, or groups of tangible capital assets, for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the tangible capital asset or group of tangible capital assets exceeds the asset's fair value or replacement cost. Impairment losses recognized are not reversed.

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2020

1. Summary of Significant Accounting Policies (continued)

(d) Tangible capital assets (continued)

Effective January 1, 2020, the Association adopted Section 4433 Tangible Capital Assets Held by Not for Profit Organizations. Section 4433 replaced Section 4431 Tangible Capital Assets Held by Not for Profit Organizations and requires the application of Part II of the CPA Handbook – ASPE Section 3061 Property, Plant and Equipment and ASPE Section 3110 Asset Retirement Obligations for tangible capital assets held by NPOs and provides guidance on contributed assets and write-downs of tangible capital assets. As a result of adopting Section 4433 tangible capital assets are written down to fair value or replacement cost to reflect partial impairments when conditions indicate that the assets no longer contribute to an organizations ability to provide goods and services, or that the value of future economic benefits or service potential associated with the tangible capital assets are less than their net carrying amounts. This section was adopted prospectively. The Association determined that the adoption of this section had no impact on the December 31, 2020 financial statements.

(e) Deferred contributions

Restricted contributions for expenses of one or more future periods are deferred and recognized as revenue in the same period or periods as the related expenses are recognized. Restricted contributions for the purchase of tangible capital assets that will be amortized are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired tangible capital assets. In the case of contributed tangible capital assets, the deferred contribution is equivalent to the fair value at the date of contribution. In respect of funds used for repairs or other minor improvements charged to expense, the contributions are recognized in revenue in the year the expense is incurred.

(f) Contributed services

The Association leases its Kelowna Family YMCA facility from the City of Kelowna for no consideration. The fair value of the lease has not been determined and, accordingly, no expense 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.

(g) Financial instruments

Investments and cash equivalents are recorded at fair value, net of transaction costs, on a trade date basis. Changes in fair value, net of transaction costs, are recognized in the statement of operations in the periods in which they arise. Accounts receivable, accounts payable and accrued liabilities, demand loans and long-term debt are recorded at amortized cost, net of any provisions for impairment.

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2020

1. Summary of Significant Accounting Policies (continued)

(h) Use of estimates

The preparation of financial statements 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.

(i) Employee future benefits

The Association's employees are eligible to enroll in a defined contribution retirement plan offered by YMCA Canada. The expense for the year ended December 31, 2020, related to this plan totalled \$205,546 (2019 - \$215,698).

2. Restricted Cash & Investments

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Externally restricted:				
Cash and cash equivalents	\$ 657,684	\$ 657,684	\$ 662,691	\$ 662,691
Fixed income	433,450	451,994	-	-
	<hr/> 1,091,134	<hr/> 1,109,678	<hr/> 662,691	<hr/> 662,691
Internally restricted:				
Fixed income	2,737,842	2,854,979	1,908,235	1,900,176
Equities	2,363,145	2,925,672	2,279,138	2,614,363
	<hr/> 5,100,987	<hr/> 5,780,651	<hr/> 4,187,373	<hr/> 4,514,539
	<hr/> \$ 6,192,121	<hr/> \$ 6,890,329	<hr/> \$ 4,850,064	<hr/> \$ 5,177,230

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2020

3. Tangible Capital Assets

December 31, 2020	Cost	Accumulated Amortization	Net Book Value
Building	\$ 2,953,569	\$ 169,042	\$ 2,784,527
Leasehold improvements	7,181,484	3,366,619	3,814,865
Office equipment	507,797	421,256	86,541
Program equipment	2,443,570	2,343,974	99,596
Computer hardware & software	1,026,801	791,045	235,756
Vehicles	223,739	201,270	22,469
	\$ 14,336,960	\$ 7,293,206	\$ 7,043,754

December 31, 2019	Cost	Accumulated Amortization	Net Book Value
Building	\$ 1,482,062	\$ 101,426	\$ 1,380,636
Leasehold improvements	7,146,725	2,987,098	4,159,627
Office equipment	507,797	356,918	150,879
Program equipment	2,437,288	2,093,461	343,827
Computer hardware & software	893,708	698,065	195,643
Vehicles	223,739	190,036	33,703
	\$ 12,691,319	\$ 6,427,004	\$ 6,264,315

Ownership of the Kelowna Family YMCA tangible capital assets will revert to the City of Kelowna on the termination of the existing contract to operate the Kelowna Family YMCA facility (note 8) with specific exceptions as outlined in the contract.

Included in building is \$1,601,222 (2019 - \$116,280) relating to a new childcare centre currently under construction at December 31, 2020. Included in computer hardware & software is \$67,008 (2019 - \$55,279) for hardware and software currently in development at December 31, 2020. Included in leasehold improvements is \$11,685 (2019 - \$nil) for preliminary work on renovation of program space. No depreciation has been recorded on these assets as they are not yet in use.

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2020

4a. Demand Loans

	2020	2019
Interior Savings Credit Union Loans:		
Repayable in monthly installments of \$3,783 including interest at the lender's prime rate less 0.5%	\$ 463,377	\$ 479,687
Repayable in monthly installments of \$7,118 including interest at the lender's prime rate less 0.5%	149,359	189,695
	612,736	669,382
Scheduled principal repayments in the upcoming year	(68,241)	(109,372)
	\$ 544,495	\$ 560,010

The Interior Savings Credit Union demand loans are secured by a general security agreement, a fixed charge over fitness equipment, and a tripartite agreement between the Association, the City of Kelowna, and Interior Savings, with a Solicitor's Letter of Opinion whereby the City of Kelowna will assume the loan obligations in the event of default. The Association also has an operating line of credit with an available limit of \$300,000, at the same rate of interest as the demand loans. No amount was drawn on the line of credit as at December 31, 2020.

Subsequent to December 31, 2020, the Association entered into a new credit facility agreement with Interior Savings Credit Union, which included a new available demand loan of up to \$1,250,000 and new principal repayment terms for existing demand loans.

Expected principal payments required in each of the next five years, based on the new credit facility agreement, are approximately as follows:

2021	68,300
2022	52,300
2023	53,300
2024	54,400
2025	33,900

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2020

4b. Long-Term Debt

	2020	2019
Bridge financing from the City of Kelowna non-interest bearing, payable in cumulative annual repayments of not less than \$21,250	\$ 106,250	\$ 127,500
Less: current portion	(21,250)	(21,250)
	\$ 85,000	\$ 106,250

5. Deferred Contributions

	2020	2019
Deferred contributions - future period expenses		
Balance, beginning of year	\$ 267,689	\$ 208,565
Contributions received	7,676,174	4,998,634
Amount recognized in revenue	(6,941,688)	(4,939,510)
Balance, end of year	\$ 1,002,175	\$ 267,689
Deferred contributions - capital acquisitions		
Balance, beginning of year	\$ 2,898,163	\$ 2,923,306
Contributions received	687,500	237,521
Amount recognized in revenue	(231,589)	(262,664)
Balance, end of year	\$ 3,354,074	\$ 2,898,163
	\$ 4,356,249	\$ 3,165,852

Deferred Contributions- capital acquisitions include \$1,047,500 of capital funding from several donors including a total of \$985,000 from the Province of British Columbia dedicated to expanding childcare facilities in Kelowna. This deferred revenue – capital acquisitions, which has been spent, is for the construction of a new childcare facility that is in progress at year-end. As the facility is not yet in use, the related deferred capital contributions have not yet been amortized.

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2020

6. Net Assets Invested in Tangible Capital Assets

	2020	2019
Tangible capital assets	\$ 7,043,754	\$ 6,264,315
Less amounts financed by:		
Demand loans	(612,736)	(669,382)
Deferred capital contributions	(3,354,074)	(2,898,163)
Unspent deferred capital contributions	72,500	360,000
	\$ 3,149,444	\$ 3,056,770

7. Restricted Net Assets

Restricted net assets represent reserves set aside by the Association's Board of Directors and consist of the following:

(a) Liquidity Reserve

Net assets restricted for the Liquidity Reserve are restricted for the purposes of ensuring that the Association maintains sufficient liquidity at all times to carry out its current operations.

(b) Center of Community Development Reserve

Net assets restricted for the Center of Community Development Reserve are restricted for the purchase of land, buildings and/or leasehold improvements, including all related construction, fees, and renovation costs, for new centers of community: YMCA program sites that offer multi-aged programming in the areas of health, fitness & aquatics, childcare, employment & social services.

(c) Strategic Reserve

Net assets restricted for the Strategic Reserve are restricted for the purposes of funding the strategic priorities of the Association as identified by the Board of Directors.

(d) Kelowna Family Y Reserves

i) *KFY Deficit Reserve*: As required in the Association's contract with the City of Kelowna for the operation of the Kelowna Family YMCA, 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. Any surplus in the reserve will revert back to the City upon termination or completion of the agreement. Based on the 2020 purchase of service, the 2020 reserve balance is unchanged at \$35,097.

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2020

7. Restricted Net Assets (continued)

- ii) *KFY 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 YMCA 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, as prescribed in the agreement, over actual preventative and first-line repairs expenditures. In 2020 these expenditures exceeded the threshold of \$48,961 resulting in no appropriations and leaving the reserve unchanged at \$5,089.

8. City of Kelowna Contracts

(a) Kelowna Family YMCA agreement

The Association entered into an agreement with the City of Kelowna (the "City") effective March 19, 2001, for the operation of the Kelowna Family YMCA facility (the "Facility") expiring April 1, 2040. The agreement provides for an annual purchase of services by the City for the operation of the Facility.

Until January 1, 2031, 50% of the annual net financial operating surplus, as defined in the agreement with the City, must be reinvested in the Facility and facility operations, as determined by the Association, as follows:

- i) Minimum of 65% shall be solely spent on the Facility and equipment improvements, development of capital reserves or reduction of debt,
- ii) Up to 25% shall be reinvested into the operations, the Facility or the equipment improvements; and
- iii) Up to 10% shall be used for additional funding of the KFY 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.

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 are met. On termination the City and the Association are subject to certain conditions as outlined in the agreement.

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2020

8. City of Kelowna Contracts (continued)

(b) H2O Fitness and Adventure Centre

The Association entered into an agreement with the City of Kelowna (the "City") effective January 1, 2012, for the operation of the H2O Adventure & Fitness Centre (the "H2O Centre") for a term of 60 months expiring December 31, 2016. The agreement was renewed in December 2016 for an additional term of 60 months expiring December 31, 2021. Subsequent to December 31, 2020, the agreement was extended for an additional two years and expires December 31, 2023. The City owns the facility, improvements to the H2O Centre, and equipment within the H2O Centre.

In consideration of the performance by the Association of its obligations under the contract, the Association is entitled to an inflation-adjusted recovery of administration expenses of \$390,010 (2019 - \$381,241) plus an annual calculated amount for YMCA Canada Affiliation fees in accordance with the YMCA Canada formula of \$20,831 (2019 - \$62,286). For the year ended December 31, 2020, the Association agreed to reduce its recovery of administration expenses to \$373,833 to share administrative expense reductions resulting from closures with the City of Kelowna.

Annual financial operating surplus or deficit is defined as year-end operating revenue less operating expenses (as specified in the agreement) less Association entitlement (as previously defined). Any annual surplus for the operations of the H2O Centre will be shared as follows:

- i) Net surplus funds less than \$100,000:
 - 33% shall be retained by the City and used as determined by the City.
 - 33% shall be retained by the Association to fund its programs and charitable activities within Kelowna.
 - 34% shall be retained by the City and placed in an Equipment Replacement and Improvement Fund.
- ii) Net surplus funds greater than \$100,000 – the first \$100,000 will be shared as outlined above and the additional surplus over \$100,000 will be shared as follows:
 - 25% shall be retained by the City and used as determined by the City.
 - 50% shall be retained by the Association to fund its programs and charitable activities within Kelowna.
 - 25% shall be retained by the City and placed in the Equipment Replacement and Improvement Fund.

For any annual deficit for the operations of the H2O Centre, the Association is responsible to fund the first \$20,000 from its own resources that are separate and distinct from any funds associated with the H2O operating budget shortfall. The City will be responsible to provide a grant for any deficit in excess of \$20,000 in an operating year.

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2020

9. Commitments and Contingencies

(a) Commitments

The Association has other commitments consisting of operating lease contracts for various program locations, office equipment, and a participation agreement for an upcoming technology project with expiry dates between 2021 and 2027.

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

2021	\$	485,037
2022		453,527
2023		348,650
2024		197,520
2025		199,809
Thereafter until end of 2027		236,815
	\$	1,921,358

(b) 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.

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2020

10. Contributions Revenue

	2020	2019
Operational funding		
Government of Canada	\$ 704,933	\$ 682,523
Canada Emergency Wage and Rent Subsidies	2,256,208	-
Government of British Columbia	2,452,422	2,650,385
City of Kelowna	746,473	727,193
Interior Health Authority	31,635	114,313
	6,191,671	4,174,414
Fund development		
British Columbia Community Gaming Grant	202,935	180,278
Government of Canada	78,317	8,146
Contributions from foundations, corporations, not-for-profit organizations, and individuals	468,765	576,672
	750,017	765,096
	\$ 6,941,688	\$ 4,939,510

During the year the Association was approved to receive Canada Emergency Wage Subsidy and Rent Subsidy funding totalling \$2,256,208 (2019 - \$nil). As at December 31, 2020, wage and rent subsidies receivable of \$1,495,925 (2019 - \$nil) has been included in accounts receivable.

11. Financial Risk and Concentrations of Risk

Other than the economic impact and uncertainty arising from the COVID-19 pandemic, there were no significant changes in the following financial risks and concentrations of risk in the 2020 fiscal year.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Unless otherwise disclosed, the Association is not exposed to material credit risk.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates, market interest rates, or market prices (other than those arising from interest rate risk and currency risk). The Association is exposed to market risk with respect to its restricted cash and cash equivalents and investments (note 2). In keeping with the Association Investment Policy, investments have been made in such a manner as to achieve an optimal rate of return within well-defined risk tolerances. The Association is exposed to interest rate and cash flow risk in relation to its demand loans and long-term debt as disclosed in notes 4a and 4b, respectively.

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Notes to Financial Statements

Year Ended December 31, 2020

11. Financial Risk and Concentrations of Risk (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Association will be unable to meet its financial obligations. The Association maintains sufficient working capital to meet its day-to-day obligations and holds an additional \$1,000,000 in a Liquidity Reserve.

12. Related Party Payments

From time to time the Association carries out business transactions with suppliers of goods and professional services whose owners, partners, officers, or senior managers are also directors of the Association. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties and which, in management's opinion, is comparable to amounts that would have been paid to non-related parties. There are none of these transactions to report in the current year.

The Association is a member of YMCA BC, a not-for-profit Society comprised of the five YMCA Associations in BC. YMCA BC bids on contracts to provide services that align with the operations and strategic missions and visions of the BC YMCA's. During the year, the Association received \$102,271 from YMCA BC to provide services relating to program delivery and \$15,680 from YMCA BC to provide administrative and financial services. During the year, the Association paid \$4,000 to YMCA BC for contributions to YMCA BC operations, and paid \$100 in annual membership fees to YMCA BC.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. However, the amounts may not be comparable to amount that would have been paid to non-related parties.

13. Remuneration paid to Directors, Employees and Contractors

In accordance with the *Societies Act (B.C.)* Section 36.1 and *Societies Regulation* 9.2(b):

The Directors of the Association receive no remuneration for the performance of their responsibilities as Directors.

For the fiscal year ending 2020, the Association paid total remuneration of \$1,478,176 to fourteen employees for services, each of whom received total annual remuneration of \$75,000 or greater. Remuneration includes all wages, bonuses, and taxable benefits.