

**The YMCA of
Hamilton/Burlington/Brantford
Financial Statements
For the year ended December 31, 2018**

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Independent Auditor's Report

To the Members of
The YMCA of Hamilton/Burlington/Brantford

Opinion

We have audited the financial statements of The YMCA of Hamilton/Burlington/ Brantford (the "YMCA"), which comprise the statement of financial position as at December 31, 2018, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the YMCA as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the YMCA in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the YMCA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the YMCA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the YMCA's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



Independent Auditor's Report (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 YMCA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the YMCA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the YMCA to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
May 28, 2019

The YMCA of Hamilton/Burlington/Brantford Statement of Financial Position

December 31	2018	2017
Assets		
Current		
Cash and cash equivalents (Note 2)	\$ 1,339,289	\$ 5,779,319
Accounts receivable (Note 3)	3,658,732	4,428,171
Inventories and prepaid expenses	840,416	523,355
Restricted cash (Note 4)	1,415,600	3,993,550
Current portion of capital project receivables (Note 5)	1,097,435	3,008,750
Special program funds receivable (Note 6)	588,605	506,277
	8,940,077	18,239,422
Capital campaign pledges receivable	307,000	638,000
Investments (Note 7)	6,436,386	5,431,529
Capital assets (Note 5)	66,617,355	61,408,488
Intangible assets (Note 8)	1,438,364	825,014
Capital project receivables (Note 5)	1,566,727	2,966,749
	\$ 85,305,909	\$ 89,509,202
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 5)	\$ 4,671,502	\$ 8,284,076
Deferred revenue (Note 9)	3,674,058	3,525,182
Current portion of capital project payables (Note 5)	1,097,435	3,008,750
Current portion of long-term debt (Note 10)	819,319	794,443
Current portion of capital lease obligations (Note 11)	434,043	333,358
	10,696,357	15,945,809
Capital project payables (Note 5)	1,566,727	2,966,749
Long-term debt (Note 10)	3,169,596	3,988,208
Capital lease obligations (Note 11)	330,581	496,304
	15,763,261	23,397,070
Deferred capital contributions (Note 12)	42,132,513	40,771,180
Net assets		
Invested in endowment (Note 14)	5,278,877	4,364,103
Internally restricted (Note 15)	1,564,465	1,562,241
Invested in capital and intangible assets (Note 13)	23,067,094	20,395,145
General	(2,500,301)	(980,537)
	27,410,135	25,340,952
	\$ 85,305,909	\$ 89,509,202

On behalf of the Board:

_____ Director

_____ Director

The accompanying notes are an integral part of these financial statements.

**The YMCA of Hamilton/Burlington/Brantford
Statement of Changes in Net Assets**

For the year ended December 31

	Invested in Endowment	Internally Restricted	Unrestricted		Total 2018	Total 2017
			Invested in Capital and Intangible Assets	General		
Balance, beginning of year	\$ 4,364,103	\$ 1,562,241	\$ 20,395,145	\$ (980,537)	\$ 25,340,952	\$ 24,149,405
Excess (deficiency) of revenue over expenses	-	-	(1,962,357)	4,031,540	2,069,183	1,191,547
Investment in capital and intangible assets	-	(637,314)	4,634,306	(3,996,992)	-	-
Transfers (Notes 14 and 15)	914,774	639,538	-	(1,554,312)	-	-
Balance, end of year	\$ 5,278,877	\$ 1,564,465	\$ 23,067,094	\$ (2,500,301)	\$ 27,410,135	\$ 25,340,952

The accompanying notes are an integral part of these financial statements.

The YMCA of Hamilton/Burlington/Brantford Statement of Operations

For the year ended December 31	2018	2017
Revenue		
Child care fees	\$ 24,065,206	\$ 21,793,026
Membership fees	8,606,371	8,686,188
Program fees	7,100,828	6,764,373
Other	545,260	541,260
Purchase of service (Note 17)	15,443,984	14,490,893
Donations	2,304,210	1,240,304
United Way	261,331	293,943
Investment income	224,556	147,944
	58,551,746	53,957,931
Expenses		
Salaries and benefits	39,291,483	37,237,440
Program costs	7,790,195	7,319,969
Facility costs	7,075,420	6,766,788
Financing costs	181,577	96,458
Allocation to YMCA Canada	559,128	540,820
Other income (Note 15)	(639,538)	(643,484)
	54,258,265	51,317,991
Excess of revenue over expenses before the under noted	4,293,481	2,639,940
Amortization of capital assets	(3,290,125)	(2,620,940)
Amortization of deferred capital contributions	1,162,139	961,613
Fair value changes in investments	(261,941)	210,934
Gain on disposal of capital assets	165,629	-
	(2,224,298)	(1,448,393)
Excess of revenue over expenses	\$ 2,069,183	\$ 1,191,547

The accompanying notes are an integral part of these financial statements.

The YMCA of Hamilton/Burlington/Brantford Statement of Cash Flows

For the year ended December 31	2018	2017
Cash and cash equivalents provided by (used in)		
Operating activities		
Excess of revenue over expenses	\$ 2,069,183	\$ 1,191,547
Items not affecting cash and cash equivalents		
Amortization of capital assets	3,290,125	2,620,940
Amortization of deferred capital contributions	(1,162,139)	(961,613)
Gain on disposal of capital assets	(165,629)	-
Fair value changes in investments	261,941	(210,934)
Changes in non-cash working capital balances		
Accounts receivable	769,439	(1,816,001)
Inventories and prepaid expenses	(317,061)	(24,699)
Capital project receivables	3,311,337	(3,932,814)
Special program funds receivable	(82,328)	(801,422)
Accounts payable and accrued liabilities	(3,612,574)	2,584,311
Deferred revenue	148,876	382,752
Capital project payables	(3,311,337)	3,932,814
	<u>1,199,833</u>	<u>2,964,881</u>
Investing activities		
Capital asset purchases	(9,724,373)	(14,179,833)
Proceeds on disposal of capital assets	1,700,000	-
Intangible asset purchases	(613,350)	(825,014)
Endowment investment purchases	(1,266,798)	(141,877)
Change in capital campaign pledges receivable	331,000	306,667
Change in restricted cash	2,577,950	2,958,111
	<u>(6,995,571)</u>	<u>(11,881,946)</u>
Financing activities		
Capital contributions received/receivable	2,523,472	4,870,813
Proceeds from long-term debt	-	5,100,000
Repayment of long-term debt	(793,736)	(317,349)
Repayment of capital lease obligations	(374,028)	(379,077)
	<u>1,355,708</u>	<u>9,274,387</u>
Increase (decrease) in cash and cash equivalents	(4,440,030)	357,322
Cash and cash equivalents, beginning of year	5,779,319	5,421,997
Cash and cash equivalents, end of year	\$ 1,339,289	\$ 5,779,319

The accompanying notes are an integral part of these financial statements.

The YMCA of Hamilton/Burlington/Brantford

Notes to Financial Statements

December 31, 2018

1. Significant Accounting Policies

Nature of Business

The charitable mission and vision statements of The YMCA of Hamilton/Burlington/Brantford are:

Charitable Mission

The YMCA of Hamilton/Burlington/Brantford is a charitable organization helping people achieve personal growth in spirit, mind and body through participation and service to the community.

Vision

The YMCA of Hamilton/Burlington/Brantford will focus on healthy communities in which individuals and families have opportunities to reach their potential.

The YMCA of Hamilton/Burlington/Brantford was founded in 1856 and was incorporated under the Ontario Corporations Act without share capital in 1886. The YMCA 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.

The YMCA's core offerings include provision of child care through 22 (2017 - 21) licensed pre-school childcare centres and 89 (2017 - 86) licensed before and after school programs throughout Hamilton, Burlington and Brantford. The YMCA operates 5 (2017 - 5) health, fitness and recreation centres and provides numerous community, outreach, settlement and newcomer services throughout the communities it serves.

Basis of Accounting

The financial statements of the YMCA have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue Recognition

Child care fees, membership fees and program fees are recognized over the related period of service. Purchase of service and general operating grants are recorded as revenue when the service is provided.

The YMCA follows the deferral method of accounting for contributions and donations.

Unrestricted revenues, including donations, are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions relating to the purchase of amortizable capital assets are amortized on the same basis as the related assets.

Deferred capital contributions related to capital assets represent the unamortized and unallocated amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

Endowment donations are recognized as revenue during the year. Investment income (losses) of the assets of the endowment net asset balance are added to the endowment. The Board of Directors has approved a transfer of these amounts from general net assets to net assets invested in endowment. The endowment donations are administered by the YMCA's Endowment Fund Committee.

The YMCA of Hamilton/Burlington/Brantford

Notes to Financial Statements

December 31, 2018

1. Significant Accounting Policies (Continued)

Revenue Recognition (continued)

The Association runs a Strong Kids Annual Giving Program campaign to raise much needed resources to support proven YMCA programs that give kids the opportunities they need to reach their full potential. A portion of the donations received that are intended for programs that will occur subsequent to year end are deferred. The revenue related to Strong Kids Annual Giving Program is included in donations revenue on the statement of operations.

Contributed Services

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

Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit with financial institutions and money market funds that are readily convertible to cash.

Inventories

Inventories include maintenance, program and office supplies and are measured at the lower of cost and net realizable value.

Capital Campaign Pledges Receivable

Capital campaign pledges are recorded as an asset when there is a written pledge, the amount to be received can be reasonably estimated and collection is reasonably assured. Actual amounts collected could differ from the amounts recorded.

Leased Assets

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value. All other leases are accounted for as operating leases wherein rental payments are expensed on a straight-line basis.

Capital Assets

Capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset are capitalized. When capital assets no longer contribute to the YMCA's ability to provide services, the carrying amount is written down to net realizable value.

Capital assets are amortized on a straight-line basis at the following annual rates:

Buildings	-	30 to 40 years
Fixtures and equipment	-	3 to 5 years

Building additions are amortized over the remaining life of the related building. Projects in progress are not amortized as the assets are not in use. Fixtures and equipment recorded under capital leases are amortized on a straight-line basis over the term of the lease, which is the estimated useful life of the assets.

The YMCA of Hamilton/Burlington/Brantford

Notes to Financial Statements

December 31, 2018

1. Significant Accounting Policies (Continued)

Intangible Assets

Purchased intangible assets are initially recorded at cost. As the Dynamics for Membership IT system is currently under development and has yet to be implemented by the YMCA, amortization has not been recorded in the current year. In subsequent years, the intangible assets with a finite useful life will be amortized over their estimated useful life.

Deferred Revenue

Membership and program fees received before December 31 that relate to member privileges and programs for the time periods after December 31 are deferred to the following year and disclosed as deferred revenue on the statement of financial position.

Special Program Funds Receivable/Unexpended

The YMCA operates various special programs which are funded by specifically designated provincial, federal and municipal grants. To the extent such grants are unspent at December 31, they are disclosed as special program funds unexpended on the statement of financial position. To the extent such grants received are in deficiency of amounts expended at December 31, they are disclosed as special program funds receivable on the statement of financial position.

Third Party Programs

The YMCA administers third party programs for which they receive funds to carry out the programs. As the YMCA is considered the agent in the transaction, amounts have been recorded on a net basis. During the year, approximately \$215,000 (2017 - \$330,000) of revenue and expenditures were incurred with respect to the administration of third party programs.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities, fixed income and pooled fund investments (included in investments) traded in an active market and RBC Investments Savings Account Series A money market funds (included in cash and cash equivalents) are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Foreign Currency Translation

Foreign currency transactions are translated at the rates of exchange in effect at the dates of the transaction. Resulting foreign currency denominated monetary assets and liabilities are translated at the rates of exchange in effect at the statement of financial position date. Gains and losses on translation of monetary assets and liabilities are included in net income.

The YMCA of Hamilton/Burlington/Brantford Notes to Financial Statements

December 31, 2018

1. Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Management's estimates and assumptions used in determining amortization methods and rates and useful life of capital assets and intangible assets are reviewed annually and are based on management's best estimates. These estimates are subject to measurement uncertainty, and the effect on the financial statements in future periods could be significant.

2. Cash and Cash Equivalents

	2018	2017
Cash	\$ 1,308,951	\$ 2,521,058
Money market funds	30,338	3,258,261
	\$ 1,339,289	\$ 5,779,319

3. Accounts Receivable

Included in accounts receivable are government remittances receivable of \$27,101 (2017 - \$1,810,331).

4. Restricted Cash

Included in restricted cash are externally restricted amounts for eligible costs not yet paid relating to the Laurier Brantford YMCA capital project (Note 5).

	2018	2017
Government of Ontario's Strategic Investments Fund	\$ 494,273	\$ 3,080,667
Other externally restricted cash	921,327	912,883
	\$ 1,415,600	\$ 3,993,550

The YMCA of Hamilton/Burlington/Brantford Notes to Financial Statements

December 31, 2018

5. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 6,739,687	\$ -	\$ 1,887,045	\$ -
Buildings	76,431,093	20,339,510	47,823,433	18,990,880
Fixtures and equipment	6,627,475	3,043,717	5,801,812	3,088,771
Projects in progress	202,327	-	27,975,849	-
	90,000,582	23,383,227	83,488,139	22,079,651
Net book value		\$ 66,617,355		\$ 61,408,488

During the year, the YMCA purchased capital assets of \$10,033,363 (2017 - \$14,698,075) of which \$3,725,286 (2017 - \$10,829,901) are included in accounts payable and accrued liabilities and capital project payable balances at year end. Included in the purchase of capital assets are assets financed by capital leases in the amount of \$308,990 (2017 - \$518,242).

Projects in progress relate to incurred costs of a Wanakita renovation of \$202,327 (2017 - \$2,769,357).

In the fall of 2018 an athletic and recreation complex jointly developed by Wilfrid Laurier University ("Laurier") and the YMCA was opened. The YMCA's portion of the total expenditures incurred relating to the design, site preparation and construction of the capital project in Brantford was subsequently transferred from projects in progress to land, buildings and fixtures and equipment.

Included in the YMCA's accounts payable and accrued liabilities are \$1,009,216 (2017 - \$4,535,194) of development expenses payable to Laurier at year end. Also, the YMCA's capital project payables balance of \$2,664,162 (2017 - \$5,975,499) consists of development expenses payable to Laurier at year end and relate to the contributions from the Government of Canada and the City of Brantford.

Contributions from the Government of Canada and the City of Brantford are receivable in accordance with the terms and conditions of the agreements. Capital project receivables in the statement of financial position consist of amounts from:

	2018	2017
Government of Canada	\$ 836,269	\$ 4,329,608
City of Brantford	1,827,893	1,645,891
	2,664,162	5,975,499
Less: Current portion	1,097,435	3,008,750
	\$ 1,566,727	\$ 2,966,749

The YMCA of Hamilton/Burlington/Brantford Notes to Financial Statements

December 31, 2018

6. Special Program Funds Receivable

	2018	2017
Funding in deficiency of amounts expended	\$ 1,144,893	\$ 1,138,758
Less: Funding received unexpended	(556,288)	(632,481)
Special program funds receivable	\$ 588,605	\$ 506,277

7. Investments

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Equities	\$ 4,660,585	\$ 4,354,707	\$ 4,312,901	\$ 3,623,102
Fixed income	1,199,628	1,190,878	914,342	905,888
Pooled funds	436,580	436,580	50,891	50,891
Cash	139,593	139,593	153,395	153,395
	\$ 6,436,386	\$ 6,121,758	\$ 5,431,529	\$ 4,733,276

The effective interest rate on fixed income securities during the year varied from 1.75% to 3.60%. The maturities of these securities range from 2019 to 2023.

The investments are monitored by the YMCA Endowment Fund Committee for compliance with the YMCA's Statement of Investment Policy.

8. Intangible Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Dynamics for Membership IT system	\$ 1,438,364	\$ -	\$ 825,014	\$ -

The YMCA's Dynamics for Membership IT system relates to costs incurred for the development and implementation of a national Enterprise Resource Planning (ERP) system, in conjunction with the majority of the YMCAs across Canada. As the system is currently being developed and has yet to be implemented, no amortization has been recorded during the year. Management estimates the IT system being completed in 2019. The future costs committed to by the YMCA relating to the development and implementation of the IT system are disclosed in Note 16.

The YMCA of Hamilton/Burlington/Brantford Notes to Financial Statements

December 31, 2018

9. Deferred Revenue

	2018	2017
Child care fees	\$ 89,150	\$ 53,367
Donations	130,269	264,505
Membership fees	378,173	401,318
Program fees	3,076,466	2,805,992
	\$ 3,674,058	\$ 3,525,182

10. Long-term Debt and Bank Facilities

	2018	2017
Bank loan, interest at 3.45% per annum, repayable in monthly blended payments of principal and interest of \$30,787, due December 2022	\$ 1,695,085	\$ 2,000,000
Bank loan, interest at 2.98% per annum, repayable in monthly blended payments of principal and interest of \$47,075, due April 2022	2,293,830	2,782,651
	3,988,915	4,782,651
Less: Current portion	819,319	794,443
	\$ 3,169,596	\$ 3,988,208

Principal repayments for the next four years are as follows:

2019	\$ 819,319
2020	889,413
2021	828,625
2022	1,451,558
	\$ 3,988,915

In addition to the above, the following facilities are also available to the YMCA:

A revolving lease line of credit, to a maximum of \$1,500,000 (2017 - \$1,500,000). As at year end, the amount drawn on this facility was \$764,624 (2017 - \$829,662) (Note 11).

A revolving operating line, to a maximum of \$500,000 (2017 - \$500,000), bearing interest at prime plus 0.5% (2017 - prime plus 0.5%). This facility had no advances outstanding as at December 31, 2018.

All of the above facilities are secured by a general security agreement, and collateral mortgages of \$7,300,000 on three properties owned by the YMCA.

The YMCA of Hamilton/Burlington/Brantford Notes to Financial Statements

December 31, 2018

11. Capital Lease Obligations

	2018	2017
Obligations under capital lease:		
- with interest rate of 0%, repaid	\$ -	\$ 10,219
- with interest rate of 2.98%, maturing February 2020	173,435	328,646
- with interest rate of 3.36%, maturing November 2020	322,869	490,797
- with interest rate of 4.12%, maturing August 2021	268,320	-
	764,624	829,662
Less: Current portion	434,043	333,358
	\$ 330,581	\$ 496,304

The obligations are secured by fixtures and equipment with a net book value of \$881,250 (2017 - \$956,019).

Minimum lease payments due with respect to the obligations under capital lease are as follows:

2019		\$ 472,284
2020		285,590
2021		66,494
		824,368
Total minimum lease payments		824,368
Less: Imputed interest		(59,744)
		\$ 764,624

The YMCA of Hamilton/Burlington/Brantford Notes to Financial Statements

December 31, 2018

12. Deferred Capital Contributions

Restricted capital contributions are amortized on the same basis as the underlying capital assets.

	2018	2017
Balance, beginning of year	\$ 40,771,180	\$ 36,861,980
Add: Contributions received and receivable	2,523,472	4,870,813
Less: Contributions recognized as revenue	(1,162,139)	(961,613)
	\$ 42,132,513	\$ 40,771,180

The balance of deferred capital contributions related to capital assets consists of the following:

	2018	2017
Unamortized capital contributions	\$ 41,650,686	\$ 40,219,594
Unallocated contributions	481,827	551,586
	\$ 42,132,513	\$ 40,771,180

13. Net Assets Invested in Capital and Intangible Assets

	2018	2017
Capital assets, net	\$ 66,617,355	\$ 61,408,488
Intangible assets, net	1,438,364	825,014
Restricted cash	1,415,600	3,993,550
Capital lease obligations	(764,624)	(829,662)
Long-term debt related to capital assets	(3,988,915)	(4,782,651)
Deferred capital contributions - unamortized	(41,650,686)	(40,219,594)
	\$ 23,067,094	\$ 20,395,145

14. Net Assets Invested in Endowment

The amounts invested in endowments are internally restricted investment funds that are to be used for programs run by the YMCA at the discretion of the Board of Directors.

	2018	2017
Investments	\$ 6,436,386	\$ 5,431,529
Less: Investments in unrestricted net assets	(1,157,509)	(1,067,426)
	\$ 5,278,877	\$ 4,364,103

The YMCA of Hamilton/Burlington/Brantford Notes to Financial Statements

December 31, 2018

14. Net Assets Invested in Endowment (Continued)

The amount transferred from general net assets to net assets invested in endowment during the year is comprised of:

	2018	2017
Investment income	\$ 192,572	\$ 166,995
Donations	1,143,782	25,160
Fair value changes in investments	(261,941)	210,934
Investment management fees	(44,639)	(45,477)
Transfer to general net assets	(115,000)	(110,000)
	\$ 914,774	\$ 247,612

During the year, the Board of Directors approved a transfer of \$115,000 (2017 - \$110,000) from net assets invested in endowment to general net assets to support programs of the YMCA.

15. Net Assets Internally Restricted

The internally restricted balance includes funds for capital projects at Wanakita, YMCA Strong Kids dollars reserved for funding assistance needs, and funding of future child care wages, all reserved via Board of Director's approval.

During the year, the Board of Directors approved a transfer of commodity tax rebates of \$639,538 (2017 - \$643,484) from general net assets to net assets internally restricted. Also, the Board of Directors approved expenditures throughout the year of \$637,314 (2017 - \$1,539,612) on the Wanakita renovation project from net assets internally restricted.

16. Commitments

Future minimum payments under operating leases with terms in excess of one year are as follows:

2019	\$ 1,366,272
2020	453,750
2021	241,396
2022	149,506
2023	35,165

The YMCA has also committed to \$237,837 of costs in 2019 associated with the development and implementation of the Dynamics for Membership IT system (Note 8).

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17. Purchase of Service

Purchase of service revenue consists of amounts received and receivable from federal, provincial and municipal governments relating to programs and services provided by the YMCA.

	2018	2017
Contracted programs		
Special program funding received and receivable from federal and provincial governments to operate programs related to:		
- Employment services	\$ 4,997,633	\$ 4,850,212
- Education and training	499,807	366,631
- Immigrant services	3,241,955	3,124,472
- Community initiatives	580,885	529,015
	9,320,280	8,870,330
Subsidies and grants		
Child care General Operating Grant and Wage Enhancement Grants:		
- Region of Halton	1,705,783	1,846,534
- The City of Hamilton	1,608,965	1,637,424
- The City of Brantford	1,818,138	1,349,230
	5,132,886	4,833,188
Child care System Priorities Grants:		
- Region of Halton	120,110	120,110
- The City of Hamilton	395,724	161,880
- The City of Brantford	151,779	218,500
	667,613	500,490
Other	323,205	286,885
	\$ 15,443,984	\$ 14,490,893

18. Employee Future Benefits

The YMCA makes matching contributions to a defined contribution pension plan for its employees. Total pension expense in the financial statements is \$892,539 (2017 - \$826,562).

The YMCA has no obligations in excess of the contributions discussed above, as it does not have any defined benefit pension plans.

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19. Financial Instruments

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The YMCA is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations. The YMCA's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts receivable, capital campaign pledges receivable and capital project receivable balances. This risk has not changed from the prior year.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The YMCA's exposure to this risk arises primarily from long-term debt with fixed interest rates.

Liquidity Risk

Liquidity risk is the risk that the YMCA encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the YMCA will not have sufficient funds to settle a transaction on a due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from the YMCA's accounts payable and accrued liabilities, capital project payables, long-term debt and commitments. This risk has not changed from the prior year.

Market Risk

Market risk arises from the possibility that changes in market prices will affect the level of investments held by the YMCA. The YMCA is exposed to market risk through its investment in money market funds, pooled fund investments and equities. This risk has not changed from the prior year.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Investments in equities and pooled funds of \$1,812,057 (2017 - \$1,392,751) were held in US dollars and converted into Canadian dollars at year end. The YMCA considers this risk to be acceptable and therefore does not hedge its foreign exchange rate risks. This risk has not changed from the prior year.

20. Comparative Amounts

Certain comparative figures presented in the financial statements have been reclassified to conform with the current year's presentation.