Financial Statements

The Young Men's Christian Association of Edmonton

(Operating as YMCA of Northern Alberta)

December 31, 2017

Contents

Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
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To the Members of The Young Men's Christian Association of Edmonton
(operating as YMCA of Northern Alberta)

We have audited the accompanying financial statements of The Young Men's Christian Association of Edmonton (operating as YMCA of Northern Alberta), which comprise the statement of financial position as at December 31, 2017, and the statements of operations, changes in net assets and cash flows for the year ended December 31, 2017, and 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 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.

Auditor's 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 the audit to obtain reasonable assurance about whether the 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 the auditor's 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, the auditor considers internal control relevant to the entity'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 entity'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.

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We believe that the audit evidence we have obtained in our audit 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 The Young Men's Christian Association of Edmonton (operating as YMCA of Northern Alberta) as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Edmonton, Canada

April 9, 2018

Grant Thornton LLP

Chartered Professional Accountants

The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)
Statement of Operations

Year ended December 31	2017	2016
Revenues		
Program fees	$ 26,152,394	$ 23,124,633
Membership dues	15,574,941	15,266,301
YMCA Opportunity Fund (Note 16)	(2,166,797)	(1,797,344)
	39,560,538	36,593,590
Operating grants - government	9,833,499	9,075,166
Amortization of deferred capital contributions (Note 12)	4,146,643	4,043,324
Rental and other revenue	1,731,608	1,896,264
Operating grants – other	1,694,184	2,538,301
Housing	1,637,602	2,334,880
Contributions	1,431,225	1,323,205
United Way	687,299	667,921
Investment income	23,922	26,268
	60,746,520	58,498,919
Expenses		
Operating (Schedule 1)	56,054,543	52,786,415
Amortization of capital assets	5,786,191	5,899,021
Interest on long-term debt and capital leases	187,278	218,877
Amortization of intangible asset	126,300	126,300
Loss on disposal of capital assets	-	61,523
	62,154,312	59,092,136
Deficiency of revenues over expenses before other items	(1,407,792)	(593,217)
Other items		
Gain on sale of long-lived asset (Note 6)	3,490,374	-
Decommissioning expenses (Note 6)	(56,596)	-
Insurance proceeds	106,665	1,564,291
Expenses relating to Wood Buffalo fire damage	-	(1,489,114)
Excess (deficiency) of revenues over expenses	$ 2,132,651	$ (518,040)

See accompanying notes to the financial statements

The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)
Statement of Changes in Net Assets

Year Ended December 31

	2017			2016
	Investment in capital assets (Note 13)	Unrestricted	**Total**	Total
Balance, beginning of year	$ 9,159,319	$ (3,042,772)	**$ 6,116,547**	$ 6,634,587
Excess (deficiency) of revenues over expenses	1,726,252	406,399	**2,132,651**	(518,040)
Transfer to investment in capital asset fund	1,464,670	(1,464,670)	**-**	-
Balance, end of year	$12,350,241	$ (4,101,043)	**$ 8,249,198**	$6,116,547

See accompanying notes to the financial statements

The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)
Statement of Financial Position

December 31		**2017**		2016
Assets				
Current				
Cash and cash equivalents	$	**3,888,607**	$	2,099,468
Short-term investments		**17,940**		16,825
Accounts and grants receivable (Note 3)		**1,796,409**		1,930,938
Receivables from related parties (Note 4)		**4,786**		46,025
Inventories		**33,378**		76,486
Prepaids and deposits		**243,882**		219,924
		5,985,002		4,389,666
Restricted cash equivalents (Note 21)		**245,929**		193,776
Capital assets (Note 5 (a))		**57,429,307**		60,968,746
Intangible asset (Note 5 (b))		**1,968,175**		2,094,475
Long-lived asset held for sale (Note 6)		**-**		35,640
	$	**65,628,413**	$	67,682,303
Liabilities				
Current				
Cheques issued in excess of funds on deposit	$	**83,926**	$	194,736
Accounts payable and accrued liabilities (Note 8)		**4,167,688**		4,205,697
Payables to related parties (Note 4)		**19,940**		-
Deferred revenue (Note 9)		**2,759,149**		2,767,005
Current portion of obligations under capital leases (Note 10)		**432,062**		451,423
Current portion of long-term debt (Note 11)		**256,409**		259,643
		7,719,174		7,878,504
Obligations under capital leases (Note 10)		**184,784**		616,847
Long-term debt (Note 11)		**4,635,453**		4,889,919
Long-term payable (Note 21)		**245,929**		193,776
Deferred capital contributions (Note 12)		**44,593,875**		47,986,710
		57,379,215		61,565,756
Net Assets				
Investment in capital assets (Note 13)		**12,350,241**		9,159,319
Unrestricted		**(4,101,043)**		(3,042,772)
		8,249,198		6,116,547
	$	**65,628,413**	$	67,682,303

Commitments (Note 14), Contingency (Note 15)

On behalf of the Board

_______________ Director Stella Asselin Director

See accompanying notes to the financial statements

The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)
Statement of Cash Flows

Year Ended December 31	**2017**	2016
Increase (decrease) in cash and cash equivalents		
Operating		
Cash receipts from members, participants, donors, and delivery of services	**$ 56,870,471**	$ 53,597,276
Cash paid to employees, suppliers, and for program purposes	**(56,077,845)**	(51,763,275)
Investment income	**23,922**	26,304
Interest paid	**(187,278)**	(218,877)
	629,270	1,641,428
Financing		
Capital contributions received	**753,808**	176,797
Repayment of long-term debt	**(257,700)**	(251,151)
Repayment of obligations under capital leases	**(451,424)**	(493,445)
Proceeds from obligations under capital leases for prepaids	**-**	22,275
	44,684	(545,524)
Investing		
Acquisition of capital assets	**(2,220,737)**	(1,897,418)
Increase in restricted cash equivalents	**(52,153)**	(54,264)
Change in short-term investments	**(1,115)**	63
Proceeds from sale of long-lived asset	**3,500,000**	-
Proceeds from disposition of capital assets	**-**	500
	1,225,995	(1,951,119)
Net increase (decrease) in cash and cash equivalents	**1,899,949**	(855,215)
Cash and cash equivalents:		
Beginning of year	**1,904,732**	2,759,947
End of year	**$ 3,804,681**	$ 1,904,732

See accompanying notes to the financial statements

The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)
Statement of Cash Flows (cont'd)

Year Ended December 31	2017	2016

Supplemental cash flow information

Cash and cash equivalents are comprised of the following:

	2017	2016
Cash, including bank savings accounts	$ 1,329,467	$ 1,671,381
Cashable guaranteed investment certificates	2,559,140	428,087
Cheques issued in excess of funds on deposit	(83,926)	(194,736)
	$ 3,804,681	$ 1,904,732

The cashable guaranteed investment certificates bear interest at rates ranging from 1.2% to 1.6% (2016 – 0.50% to 0.90%) and mature on December 10, 2018, to December 31, 2018 (2016 – maturing December 31, 2017).

Non – cash financing and investing activities:

Capital assets purchased under capital leases $nil (2016 – $571,744)

See accompanying notes to the financial statements

1. Nature of operations

The Young Men's Christian Association of Edmonton (operating as YMCA of Northern Alberta), (the "Association") is part of the worldwide fellowship dedicated to creating life-enhancing opportunities for the growth and development of all people in spirit, mind, and body and to support the development of strong kids, healthy families, and thriving communities. The Association provides services in each of the Edmonton, Grande Prairie, and Wood Buffalo regions within the province of Alberta. The Association was incorporated in 1907 under an Act of the Alberta Legislature as a not-for-profit organization, is a registered charity under the Income Tax Act, and is exempt from income taxes.

2. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies:

Use of estimates and measurement uncertainty

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the period. Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revision or any possibility of impairment. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Actual results could differ from those estimates.

Significant estimates included in these financial statements are the amortization basis for capital assets, fair value of contributed capital assets and intangible assets, fair value of long-term debt, and valuation of allowance for doubtful accounts receivable.

2. Summary of significant accounting policies (cont'd)

Revenue recognition

The Association follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions received for the purchase of capital assets that will be amortized are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets. Restricted contributions for the purchase of capital assets that will not be amortized are recognized as a direct increase in the investment in capital asset fund. A liability to repay a restricted contribution with contingent repayment terms is accounted for in the period in which conditions arise that causes the restricted contribution to be repaid.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Membership dues, program fees, rental and other revenue, and housing revenues are recognized when the related service is performed and when reasonable assurance exists regarding the measurement and collection of the consideration received.

Interest on bank accounts and interest and dividends on marketable securities are recorded as revenue when earned.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash, including bank savings accounts, and cashable guaranteed investment certificates which are highly liquid or convertible to cash in less than one year.

The Association's definition of investing activities for the statement of cash flows includes short-term investments in marketable securities and life insurance policies at estimated cash surrender value.

2. Summary of significant accounting policies (cont'd)

Financial instruments

Initial measurement:

The Association's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Subsequent measurement:

At each reporting date, the Association measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for equities quoted in an active market, which must be measured at fair value. The Association uses the effective interest method to amortize any premiums, discounts, transaction fees, and financing fees to the statement of operations. The financial instruments measured at amortized cost are cash and cash equivalents, accounts and grants receivable, receivables from related parties, accounts payable and accrued liabilities, payable to related parties, and long-term debt. The carrying value of financial instruments approximates their fair value due to the short-term nature, unless otherwise noted.

For financial assets measured at cost or amortized cost, the Association regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Association determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Controlled not-for-profit organization

The Association reports a controlled not-for-profit organization (The Edmonton YMCA Foundation) by disclosing information about the controlled not-for-profit organization. As a result, the Association's financial statements do not include the financial position, financial performance, or cash flows of The Edmonton YMCA Foundation.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is based on actual original purchase price of inventory. Net realizable value is defined as the estimated selling price less estimated selling costs.

2. Summary of significant accounting policies (cont'd)

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution.

Amortization is provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	4 to 25 years
Building upgrades	10 years
Furniture and equipment	1 to 5 years
Computer software/hardware	1 to 5 years
Vehicles	5 years
Leasehold improvements	3 to 5 years
Equipment under capital leases	3 to 5 years

Capital assets are amortized in the year of acquisition at one-half of the straight-line rate.

Capital assets under development are amortized in the year of significant completion and when useful life can be estimated.

Project under development relates to computer software presently being developed for use by participating YMCA Associations. The basis for amortization will be determined in 2018 when the software is implemented by the Association.

Impairment of long-lived assets

The Association tests for impairment when events or changes in circumstances indicate the carrying amount of an item or class of capital assets may not be recoverable. The recoverability of long-lived assets is based on the net recoverable amounts determined on an undiscounted cash flow basis. If the carrying amount of an asset exceeds its net recoverable amount, an impairment loss is recognized to the extent that fair value is below the asset's carrying amount. Fair value is determined based on quoted market prices when available, otherwise on discounted cash flows over the life of the asset.

2. Summary of significant accounting policies (cont'd)

Long-lived assets held for sale

Long-lived assets are classified as held for sale when there is a commitment to sell and the sale is probable, and is expected to be completed within one year.

Long-lived assets classified as held for sale are measured at the lower of carrying amount or fair value less cost to sell. Long-lived assets will not be amortized while classified as held for sale and any expenses attributable to the assets will be accrued.

Intangible asset

The contributed intangible asset is recorded at fair value at the date of contribution. Amortization is provided using the straight-line method over the estimated useful life of the asset as follows:

Right-to-use land asset	20 years

Employee future benefits

The Association has a defined contribution pension plan. Pension costs comprise the cost of the employer contributions for the current service of employees during the year.

Donated materials and contributed services

Donated materials and services are recorded at fair value when the fair value can be reasonably estimated and when the materials and services are normally purchased by the Association.

The Association is dependent upon the services provided by its volunteers. Volunteers contributed numerous hours in carrying out the activities of the Association. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

3. **Accounts and grants receivable**	**2017**	2016
Program fees and membership dues	**$ 406,175**	$ 388,531
Less: allowance for doubtful accounts	**(93,165)**	(54,935)
	313,010	333,596
Operating grants – government	**841,478**	700,749
Operating grants – other	**310,342**	467,079
Rental and other	**295,932**	171,048
United Way	**35,647**	7,725
Insurance proceeds receivable	**-**	250,741
	$ 1,796,409	$ 1,930,938

Current receivables are non-interest bearing and are generally received within 30-day terms. A provision for impairment on trade accounts receivable (provision for bad and doubtful receivables) is recognized when there is objective evidence that a receivable from members or participants is impaired. These have been included in operating expenses as bad debt expense.

4. Related parties

	2017	2016
Receivables from related parties:		
Boyle Renaissance Condominium Corporation	$ 4,786	$ 5,349
Regional Council of YMCAs of Alberta	-	39,674
The Edmonton YMCA Foundation	-	1,002
	$ 4,786	$ 46,025
Payables to related parties:		
Regional Council of YMCAs of Alberta	$ 14,295	$ -
The Edmonton YMCA Foundation	5,645	-
	$ 19,940	$ -

All of the transactions with related organizations described below are conducted on the terms and conditions agreed to by the related parties and were recorded at the exchange amount.

	2017	2016
Revenue received from related parties:		
Rental and management fees from Regional Council of YMCAs of Alberta	$ 15,000	$ 15,000
Contributions from The Edmonton YMCA Foundation	47,000	-
Expenses paid to or on behalf of related parties:		
The Edmonton YMCA Foundation	$ 153,249	$ 166,907
Boyle Renaissance Condominium Corporation	107,812	106,768

a) The Edmonton YMCA Foundation

The Edmonton YMCA Foundation (the "Foundation") is incorporated as a not-for-profit organization under the Alberta Societies Act and is a registered charity under the Income Tax Act. The mission of the Foundation is to act as a fundraising body collecting donations, gifts, and bequests exclusively for the benefit of the Association. The Association exercises control over the Foundation through the appointment of the members of the Board of Directors.

4. **Related parties** (cont'd)

a) The Edmonton YMCA Foundation (cont'd)

A financial summary of the Foundation as at March 31, 2017, and March 31, 2016, is as follows:

Financial position as at March 31	**2017**	2016
Total assets	**$ 4,198,928**	$ 3,784,255
Total liabilities	**$ 191,820**	$ 10,486
Total net assets	**$ 4,007,108**	$ 3,773,769
Results of operations for the year ended March 31		
Total revenues	**$ 204,022**	$ 157,240
Total expenses	**$ 358,867**	$ 138,299
(Deficiency) excess of revenues over expenditures	**$ (154,845)**	$ 18,941
Contributions from the Association to the Foundation included in total revenues	**$ 172,152**	$ 107,488
Program funding expense to the Association included in total expenses	**$ 177,700**	$ -
Cash flows for the year ended March 31		
(Decrease) increase in cash from operating activities	**$ (159,678)**	$ 36,483
Increase (decrease) in cash from investing activities	**$ 167,029**	$ (38,908)
Net increase (decrease) in cash	**$ 7,351**	$ (2,425)

There are no significant differences in the accounting policies of the Foundation from those followed by the Association.

There have been no significant events or transactions from March 31, 2017, to December 31, 2017 in the Foundation which would impact the Association's financial position or results of operations.

4. Related parties (cont'd)

b) Regional Council of YMCAs of Alberta

The Association exercises significant influence over the affairs of The Regional Council of YMCAs of Alberta (the "Regional Council") due to its right to appoint some members of its Board of Directors. The Regional Council's mission is to foster the growth and development of local YMCAs throughout Alberta by providing leadership development programs, assisting member Associations with governance, management and operational issues, and supporting program development locally, nationally, and internationally. The Regional Council is incorporated as a not-for-profit organization under the Alberta Societies Act and is a registered charity under the Income Tax Act. Financial transactions between the Association and the Regional Council are at "arm's length" and are in accordance with annual budgets approved by the Regional Council Board of Directors.

c) Boyle Renaissance Condominium Corporation

The Association exercises significant influence over the Boyle Renaissance Condominium Corporation ("BRCC") (Note 21) due to its ownership of units in the BRCC and representation on the Board of Directors. A member of the Association's Board of Directors has an ownership interest in the consulting company which had been engaged by the BRCC to provide administrative and management services.

d) Other

The Association paid professional fees during the year totalling $43,245 (2016 – $27,749) for purchased services expenses to two (2016 – two) firms in which an Association Director holds ownership interests. In addition, the Association has a mortgages payable with a financial institution of which an Association Director is a member of senior management.

5. Capital and intangible assets

a) Capital assets

	Cost	Accumulated Amortization	2017 Net Book Value	2016 Net Book Value
Land	$ 4,883,604	$ -	**$ 4,883,604**	$ 4,883,604
Buildings and building upgrades	87,936,761	39,758,050	**48,178,711**	51,443,847
Furniture and equipment	11,769,562	9,790,808	**1,978,754**	2,520,622
Computer software/hardware	1,860,280	1,410,174	**450,106**	370,641
Project under development	1,553,431	-	**1,553,431**	851,274
Vehicles	1,000	300	**700**	900
Leasehold improvements	1,101,664	1,046,349	**55,315**	59,731
Equipment under capital leases	2,570,547	2,241,861	**328,686**	838,127
	$ 111,676,849	$ 54,247,542	**$ 57,429,307**	$ 60,968,746

Buildings include $2,032,080 (2016 – $2,131,206), net of accumulated amortization, relating to an interest in the YMCA Welcome Village parkade, owned through the Association's interest in the Boyle Renaissance Condominium Corporation ("BRCC") (Note 21).

b) Intangible asset

	Cost	Accumulated Amortization	2017 Net Book Value	2016 Net Book Value
Right to use land asset	$ 2,526,000	$ 557,825	**$ 1,968,175**	$ 2,094,475

The intangible asset represents the Association's right to use the land represented by the Melcor YMCA Village unit ownership, a component of the Welcome Village. The asset has been recorded at fair market value for the land upon contribution in 2013, as a proxy for the value of the right to use land asset, and will be amortized over the twenty years of expected use by the Association. The amortization period relates to the agreement with Capital Region Housing Corporation ("CRHC") and the expectation that ownership will transfer to CRHC in twenty years from acquisition in 2013 (Note 21).

6. Long-lived asset held for sale

Carrying value of long-lived asset held for sale previously classified under capital assets:

	Cost	Accumulated Amortization	**2017** **Net Book Value**	2016 Net Book Value
Building	$ -	$ -	**$ 35,640**	$ 35,640

During 2016, the Board of Directors of the Association committed to sell the Downtown Housing Facility. On November 30, 2017, the long-lived asset was sold for proceeds of $3,500,000. Any outstanding contingencies and liabilities associated with the long-lived asset were formally removed prior to the sale.

The Association continues to provide both Housing and Housing Support Services.

7. Bank operating line of credit

The Association has an operating line of credit of $2,000,000 (2016 – $2,000,000) of which $nil (2016 – $nil) is outstanding at year end. This facility is due on demand and bears interest at the bank's prime rate plus 0.5% (2016 – prime rate plus 0.5%).

Under the terms of the credit facility agreement, the Association may not pledge any real property without first providing the bank with a fixed charge on the Jamie Platz Family YMCA.

8. Accounts payable and accrued liabilities

	2017	2016
Trade and accrued liabilities	**$ 3,999,517**	$ 3,644,817
Government payables	**168,171**	187,734
Payables relating to Wood Buffalo fire damage	**-**	373,146
	$ 4,167,688	$ 4,205,697

Provisions are made for the Association's liability for employee future benefits arising from services rendered by employees to the balance sheet date. As such, the Association provides for unused vacation entitlement that has accumulated. The accrued amounts of $523,949 (2016 – $478,768) have been classified in trade and accrued liabilities.

9. Deferred revenue

	2016	Net Additions	Revenue Recognized	2017
Membership dues	$ 1,289,065	$ 15,557,746	$ 15,574,941	**$ 1,271,870**
Program fees	594,517	26,188,249	26,152,394	**630,372**
Contributions	220,571	1,492,465	1,431,225	**281,811**
Operating grants – other	198,012	1,744,340	1,694,184	**248,168**
Operating grants – government	237,429	9,778,124	9,833,499	**182,054**
Housing	82,826	1,639,491	1,637,602	**84,715**
Rental and other revenue	97,207	1,694,560	1,731,608	**60,159**
United Way	47,378	639,921	687,299	**-**
	$ 2,767,005	$ 58,734,896	$ 58,742,752	**$ 2,759,149**

10. Obligations under capital leases

The following is a schedule by year of future minimum lease payments together with the balance of the obligations under capital leases:

2018	$ 448,344
2019	142,884
2020	45,180
Total minimum lease payments	636,408
Less: amount representing interest at 4.14% (2016 – 4.29%)	19,562
Balance of lease obligations	616,846
Less: current portion	432,062
	$ 184,784

The collateral security lodged by the Association to support the obligations under capital leases are the underlying assets to which the leases relate.

11. **Long-term debt**	**2017**	2016
Mortgage payable, bearing interest at prime, monthly interest-only payments, matured September 30, 2017 (Note 11 (a))	$ **925,000**	$ 925,000
Mortgage payable, bearing interest at prime, repayable in blended monthly instalments of $15,910, with terms renewing April 1, 2018 (Notes 11 (b) and 11 (c))	**1,974,087**	2,104,800
Mortgage payable, bearing interest at 3.52%, repayable in blended monthly instalments of $16,630, with terms renewing April 1, 2020 (Note 11 (b))	**1,992,775**	2,119,762
	4,891,862	5,149,562
Less: current portion	**256,409**	259,643
	$ **4,635,453**	$ 4,889,919

a) The $925,000 mortgage payable is secured by the Bill Rees YMCA land and building, having a carrying value of $1,814,602 (2016 – $1,894,652) and matured on September 30, 2017.

The lender has committed to the Association that repayment will not be demanded on the mortgage payable prior to January 1, 2019. Subsequent to year end, the mortgage will be renewed for an additional five-year period retroactively from October 1, 2017. This plan and commitment is based on the assumption that the Association will continue to meet all other related conditions and repayment terms of the agreement. As a result of this commitment, the Association has classified this mortgage payable as long-term debt.

b) The financing agreement for the Association's $1,974,087 and $1,992,775 mortgage debt includes a demand feature that allows the lenders to demand repayment at any time. However, the financial institutions have committed to the Association that repayment will not be demanded on these mortgages payable prior to January 1, 2019. These commitments are based on the assumption that the Association will continue to meet all other related conditions and repayment terms of the agreement. As a result of these commitments, the Association has classified the liability as long-term debt. The loans are amortized until March 1, 2030.

11. Long-term debt (cont'd)

These are syndicated mortgages payable to two financial institutions.

Security for the two mortgages of $1,974,087 and $1,992,775 includes:

- A general security agreement providing a first charge over all assets pertaining specifically to the Don Wheaton Family YMCA facility and parkade, including all present and after acquired personal property and proceeds;
- A demand mortgage in the amount of $18,500,000 on the Don Wheaton Family YMCA facility and the parkade, with a combined carrying value of $15,560,047 (2016 – $16,263,562);
- General assignment of rents and leases receivable by the Association;
- General assignment of material contracts and benefits with respect to the Don Wheaton Family YMCA, and;
- Demand notes.

c) Subsequent to the year end, the Association renewed the outstanding balance of the $1,974,087 mortgage at a fixed interest rate of 4.38%, for a five-year term to January 31, 2023.

d) The principal payments due within the next five years and thereafter, assuming the loans are renewed at the current terms, are estimated as follows:

2018	256,409
2019	266,240
2020	276,923
2021	288,040
2022	1,224,610
Thereafter	2,579,640
	$ 4,891,862

11. Long-term debt (cont'd)

e) Subsequent to the year end, the Association signed a commitment letter for a long-term loan to finance the project under development (Note 5(a)). The loan proceeds, to be drawn in 2018, will be the lesser of $1,838,594 or the actual final costs incurred for the project. The loan will bear interest at prime until the project under development is concluded and the final proceeds are drawn, expecting to be on or before October 1, 2018. At that time, the loan will be converted to a fixed term and fixed loan interest rate and will be amortized over ten years. Security for this loan will be as described under 11(b) above.

12. Deferred capital contributions

	2017	2016
Balance, beginning of year	**$ 47,986,710**	$ 51,853,237
Add: contributions received	**753,808**	176,797
Less: contributions recognized as revenue	**(4,146,643)**	(4,043,324)
Balance, end of year	**$ 44,593,875**	$ 47,986,710

Contributions received include:

	2017	2016
YMCA Welcome Village Capital Campaign (Note 21)	**$ 88,745**	$ 113,998
Capital grants (including $582,932 (2016 – $60,011) from government sources for facility development projects)	**665,063**	62,799
	$ 753,808	$ 176,797

Cumulative capital contributions received to December 31, 2017 for the Straight from the Heart campaign, related to the construction of the Don Wheaton Family YMCA and other past capital projects, totalled $21,738,301 (2016 – $21,738,301). The campaign concluded in 2017 with no remaining pledges outstanding.

The Association previously entered into a capital contribution campaign to raise $3,300,000 in contributions for the YMCA Welcome Village and related fundraising costs. Contributions received to December 31, 2017 totalled $3,161,787 (2016 – $3,073,042). Outstanding pledges, totalling $1,072,585 (2016 – $1,160,375) as at December 31, 2017, are expected to be received within the next fourteen years. Contributions exceeding the original $3,300,000 campaign goal will be directed towards capital and operating support for the YMCA Welcome Village.

12. Deferred capital contributions (cont'd)

Contributions are recorded on a cash basis. Pledged amounts represent promised contributions from individuals and corporations. Given that pledged amounts are not legally enforceable claims, they have not been reflected in the financial statements.

13. Investment in capital assets

	2017	2016
Balance, beginning of year	$ 9,159,319	$ 8,714,685
Amortization of capital assets	(5,786,191)	(5,899,021)
Amortization of intangible asset	(126,300)	(126,300)
Amortization of deferred capital contributions	4,146,643	4,043,324
Gain on sale of long-lived asset	3,490,374	-
Investment income	1,726	-
Loss on disposal of capital assets	-	(61,523)
Excess (deficiency) of revenue over expenses	1,726,252	(2,043,520)
Other items:		
Acquisition of capital assets	2,220,737	2,446,887
Receipt of capital contributions (Note 12)	(753,808)	(176,797)
Transfer of short-term investments	52,222	54,264
Repayment of long-term debt	257,700	251,151
Repayment of obligations under capital leases	451,424	493,445
Proceeds from obligations under capital leases	-	(571,744)
Payment of asset retirement obligation	-	45,712
Transfer of cash from the Investment in capital asset fund to the Unrestricted fund	(711,452)	-
Proceeds from disposition of capital assets	-	(500)
Increase in long-term payable	(52,153)	(54,264)
Increase in net assets invested in capital assets	1,464,670	2,488,154
Balance, end of year	$ 12,350,241	$ 9,159,319

14. Commitments

a) Operating leases and service contracts

The Association has fifty-six leased premises subject to operating lease commitments.

The minimum annual lease payments under these operating leases are as follows:

2018	$ 1,379,424
2019	540,413
2020	462,501
2021	412,826
2022 and thereafter	2,443,093
	$ 5,238,257

Included in the minimum lease payments are three lease agreements for child care centres where rent expense is a percentage of the gross child care fees on a monthly basis. The minimum annual lease payments include the estimated annual payments for these leases to the end of the current lease terms.

b) Computer software project under development

The Association has committed to participate in an initiative being sponsored by YMCA Canada relating to the development of a new software program. The project cost of $1,504,503, inclusive of a $130,000 project contingency provision, is reflected in these financial statements and includes $653,229 in accounts payable to YMCA Canada as at December 31, 2017. In addition, local Association costs totalling $48,928 have been capitalized to December 31, 2017. The Association will also incur consulting and other conversion costs in 2018, estimated at $201,000.

c) Electrical power purchase agreement

The Association has signed agreements to purchase power at a fixed rate for the periods from December 1, 2014, to December 31, 2017, from January 1, 2018, to December 31, 2019, and from January 1, 2020, to December 31, 2020.

d) Natural gas purchase agreement

The Association has signed agreements to purchase natural gas at a fixed rate for the period from December 1, 2017, to November 30, 2021.

14. Commitments (cont'd)

e) Restriction of use

The Association has agreed to certain commitments to the City of Edmonton relating to the four Health, Fitness & Aquatic facilities located in the Edmonton region, intended to ensure the facilities continue to provide recreational services to members of the community.

15. Contingency

The Association and the Fort McMurray Public School District ("School District") are the two remaining parties to a Settlement Agreement signed in 2015.

As part of the Agreement, the School District has agreed to waive a disputed contingent liability if the Association will eventually transfer its ownership interest in the Westwood facility to the School District and will either vacate or enter into a residual lease agreement.

The remaining obligations of the Association arising from the Settlement Agreement are as follows:

- Facility expense sharing obligations, as outlined by a Shared Use Agreement, which is currently in place between the School District and the Association, and two lease agreements, and;
- The eventual transfer, on or before December 31, 2019, of the remaining ownership interest of the Westwood facility to the School District, upon vacating or the continued occupancy in the facility, as a tenant, under the terms to be established by a residual lease agreement.

It is the Association's intent to meet all of the terms of the Settlement Agreement. The Association has assessed the potential for any material liability arising from the Settlement Agreement to be unlikely and therefore no liability has been reflected in the financial statements.

16. YMCA Opportunity Fund

During the year, membership and program fees totaling $2,166,797 (2016 – $1,797,344), for qualifying individuals and families, were sponsored through the Association's financial assistance program (the YMCA Opportunity Fund) which is funded, in part, by the annual YMCA Strong Kids fundraising campaign.

17. Family Ties Program in the Grande Prairie Region

During the year, the Association received funding for the Family Ties program, operating in the Grande Prairie region, under the terms of an agreement with the Minister of Human Services for the Province of Alberta. Operating grants - government revenue was recognized for this program of $297,888 (2016 – $262,263). As of December 31, 2017, deferred revenue for the program was $29,185 (2016 – $38,823).

18. Pension expense

The Association has a defined contribution plan covering eligible employees. Contributions are computed as a percentage of compensation. The expense recorded in relation to the employee benefit plan for the year ended December 31, 2017 was $609,537 (2016 – $541,646).

In addition, the Association expensed $34,845 (2016 – $191,111) in employer matching contributions to employee Registered Retirement Savings Plans, relating to employer pension liabilities from prior years.

19. Financial instrument risks

The Association's main financial instrument risk exposure is detailed as follows:

The Association holds guaranteed investment certificates, which are subject to various risks such as interest rate and market fluctuations. These risks are mitigated by restricting both the type and term of securities eligible for investment. The Association is subject to interest rate risk due to the variable rate applicable to the mortgages payable. It is management's opinion that the Association is not exposed to significant interest rate risk arising from financial instruments.

The Association is exposed to credit risk from members, program participants, organizations receiving services, and related parties. Credit risk arises from the possibility that the individuals, families, and entities to which the Association provides services may experience financial difficulty and be unable to fulfil their obligations. The Association's receivable balance is made up of numerous and diverse receivables, which reduces the concentration of credit risk.

The Association is exposed to liquidity risk as the Association could encounter difficulty in meeting obligations associated with its financial liabilities. The Association is, therefore, exposed to liquidity risk with respect to its accounts payable and accrued liabilities, obligations under capital leases, and long-term debt.

20. Fundraising

The Association creates opportunities for all participants and members to form relationships and gain a sense of belonging and involvement. This comprehensive fund development program incorporates a variety of activities, including community engagement, planned giving, capital campaign administration, and the annual YMCA Strong Kids fundraising campaign. Total costs for the fund development program for the year ended December 31, 2017, were $567,287 (2016 – $640,582) including $454,944 (2016 – $492,689) in salaries, wages, and benefits. In addition, the direct cost of the 2016 YMCA Strong Kids campaign of $28,672 (2016 – $60,292) was expensed in branch operations.

21. YMCA Welcome Village

In 2009, the Association entered into a Memorandum of Understanding ("MOU") with the Capital Region Housing Corporation ("CRHC") relating to the development of the YMCA Welcome Village.

The Boyle Renaissance Condominium Corporation ("BRCC") was registered in 2013 for the purpose of facilitating the long-term ownership structure of the YMCA Welcome Village units. In 2013, legal titles of the following BRCC units were transferred to the Association and are included in capital assets:

- Melcor YMCA Village;
- Shirley Stollery YMCA Child Care Centre;
- YMCA Family Resource Centre, and;
- A portion of the West Building external structure and parkade (Note 5(a)).

The right to use land asset related to the Melcor YMCA Village has been recorded as an intangible asset (Note 5 (b)), at the estimated fair market value of $2,526,000, as a proxy for the value of the right-to-use land asset.

In 2016, the Association entered into a long-term lease, to January 31, 2020 for $1 per year, with the City of Edmonton, relating to the West building access and office administration areas.

The Association will hold title to the Melcor YMCA Village facility for a minimum of twenty years, the period of time that the Association is committed to operating Affordable Housing services under the terms of the provincial government capital grant.

21. YMCA Welcome Village (cont'd)

In 2013, an agreement was made with CRHC which includes the following:

- Allowing CRHC an option to purchase the Melcor YMCA Village and the related reserve fund for $10. The option may be exercised at any time prior to January 18, 2034, with a transfer of ownership occurring not before January 18, 2034. The option period may be extended for an additional term of one year or such other period in excess of one year as agreed to by both parties.
- That the Association shall maintain a capital reserve to be used for major capital repairs, the balance of which will be transferred to CRHC if ownership transfers. All expenditures from the reserve are subject to written approval of CRHC.

The Association expects that the option will be exercised and ownership will transfer to CRHC in twenty years and accounts for the current access to the Melcor Village as a long-term operating lease. The Melcor YMCA Village building has been recorded as leasehold improvements, classified with buildings.

The Association allocates 4% of the housing revenue from the facility to the capital reserve, which is recorded as a long-term payable. Funding of the balance of the long-term payable is held in restricted cashable guaranteed investment certificates of $245,929 (2016 – $193,776).

22. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)
Schedule 1 - Operating Expenses

Year Ended December 31	2017	2016
Salaries, wages, and benefits	$ 38,148,772	$ 35,550,697
Occupancy	5,759,935	5,262,496
Supplies	3,873,692	3,978,086
Repairs and maintenance	2,512,828	2,450,772
Printing and promotion	1,027,204	1,016,484
Participant support costs	973,231	1,074,295
Purchased services, and insurance	829,142	673,425
Finance and program registration fees	668,401	596,480
Membership and Association dues	641,039	657,410
Employee and participant travel	517,143	541,756
Telephone and postage	444,209	424,346
Training	402,781	387,032
Bad debts	200,475	122,866
Miscellaneous	40,691	25,270
International program support	15,000	25,000
	$ 56,054,543	$ 52,786,415

See accompanying notes to the financial statements

The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)
Schedule 2 – Homeward Trust Edmonton and Homeward Trust Foundation

Year Ended December 31		2017	2016

The revenues and expenses relating to operating grants from Homeward Trust Edmonton and Homeward Trust Foundation are as follows:

	2017	2016
Revenues		
Operating grants – other	**$ 1,096,940**	$ 1,523,466
Expenses		
Salaries, wages, and benefits	**567,676**	655,357
Participant support costs	**336,946**	640,730
Administration costs	**151,926**	168,557
Employee and participant travel	**27,080**	46,593
Telephone and postage	**8,240**	12,144
Miscellaneous	**2,220**	-
Training	**1,947**	85
Supplies	**905**	-
	1,096,940	1,523,466
Revenues over expenses	**$ -**	$ -

The continuity of deferred contributions and operating grants is as follows:

	2017	2016
Balance, beginning of year	**$ 124,967**	$ 168,205
Add: operating grants received	**1,140,096**	1,480,228
Less: operating grants recognized as revenue	**(1,096,940)**	(1,523,466)
Balance, end of year	**$ 168,123**	$ 124,967

See accompanying notes to the financial statements