

Financial statements of

THE YMCAs OF QUÉBEC

December 31, 2012 and December 31, 2011

THE YMCAs OF QUÉBEC

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Independent auditor's report

To the Members of
The YMCAs of Québec

We have audited the accompanying financial statements of The YMCAs of Québec (the "YMCA"), which comprise the balance sheets as at December 31, 2012, December 31, 2011 and January 1, 2011 and the statements of operations, changes in net assets and cash flows for the years ended December 31, 2012 and December 31, 2011, 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 audits. We conducted our audits 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.

We believe that the audit evidence we have obtained in our audits 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 YMCA as at December 31, 2012, December 31, 2011 and January 1, 2011, and the results of its activities and its cash flows for the years ended December 31, 2012 and December 31, 2011, in accordance with Canadian accounting standards for not-for-profit organizations.

*Deloitte p.e.n.c.r.l.*¹

June 13, 2013

¹CPA auditor, CA, public accountancy permit No. A120628

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Statements of operations

years ended December 31, 2012 and December 31, 2011

	2012	2011
	\$	\$
Revenue		
Program activities	28,411,001	27,580,379
Government - fees for services	8,339,970	7,800,231
Institutional services	4,020,527	3,545,499
Rent	3,207,368	3,152,203
Centraide of Greater Montreal - community services	1,486,754	1,486,754
Donations of the YMCAs of Québec Foundation	875,871	784,579
Investment revenue	121,772	157,922
Other revenue	582,170	635,763
	47,045,433	45,143,330
Expenses		
Salaries and social benefits	26,244,086	25,432,310
Program expenses	4,200,200	4,091,883
Repairs and replacements, maintenance supplies and service contracts	4,422,381	4,086,654
Heat and electricity	1,440,895	1,541,217
Rent	1,102,181	1,134,633
Office expenses	948,025	1,049,101
Professional fees	884,338	918,336
Advertising expenses	837,667	816,891
Employees expenses and development	676,740	757,009
Insurance and taxes	602,197	560,071
Bank charges	449,737	417,571
YMCA Canada fees and other dues	481,552	459,557
Contributions to the Foundation's operations	319,208	325,825
Bad debts	196,150	151,426
Other expenses	415,953	376,779
	43,221,310	42,119,263
Excess of revenue over expenses before the following items	3,824,123	3,024,067
Interest on mortgage loan and other financing costs	(817,356)	(899,733)
Amortization of capital assets	(3,699,522)	(3,759,456)
Amortization of deferred contributions related to capital assets (Note 10)	1,539,661	1,512,862
Excess (deficiency) of revenue over expenses before the change in fair value of interest rate swap agreements	846,906	(122,260)
Change in fair value of interest rate swap agreements	163,185	(416,417)
Excess (deficiency) of revenue over expenses	1,010,091	(538,677)

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Statements of changes in net assets
years ended December 31, 2012 and December 31, 2011

	Invested in Capital assets	Internally restricted	Unrestricted	Total
	\$	\$	\$	\$
Balance, as at January 1, 2011	9,727,907	-	2,211,733	11,939,640
(Deficiency) excess of revenue over expenses	(2,660,511) ⁽¹⁾	-	2,121,834	(538,677)
Investment in capital assets	2,299,506 ⁽²⁾	-	(2,299,506)	-
Balance, as at December 31, 2011	9,366,902 ⁽³⁾	-	2,034,061	11,400,963
Excess (deficiency) of revenue over expenses	(2,001,003) ⁽¹⁾	-	3,011,094	1,010,091
Investment in capital assets	2,037,843 ⁽²⁾	-	(2,037,843)	-
Transfer	-	1,500,000	(1,500,000)	-
Balance, as at December 31, 2012	9,403,742 ⁽³⁾	1,500,000	1,507,312	12,411,054

	2012	2011
	\$	\$
⁽¹⁾ Composed of:		
Amortization of capital assets	(3,699,522)	(3,759,456)
(Loss) gain on disposal of capital assets	(4,327)	2,500
Amortization of deferred contributions related to capital assets	1,539,661	1,512,862
Change in fair value of interest-rate swap agreements	163,185	(416,417)
	(2,001,003)	(2,660,511)
⁽²⁾ Composed of:		
Receipt of grants receivable	(1,031,472)	(802,076)
Additions to capital assets	1,851,157	2,553,837
Proceeds on disposal of capital assets	-	(2,500)
Decrease in interim credits	-	7,450,000
Increase of long-term debt	-	(7,670,000)
Repayment of long-term debt	1,507,036	1,300,172
Repayment of obligation under capital leases	32,251	31,825
Deferred contributions related to capital assets	(321,129)	(561,752)
	2,037,843	2,299,506
⁽³⁾ Composed of:		
Short-term grants receivable	1,083,871	1,031,472
Long-term grants receivable	10,641,715	11,725,586
Capital assets	41,106,697	42,959,389
Current portion of long-term debt	(1,570,762)	(1,507,037)
Current portion of obligation under capital leases	(28,712)	(32,251)
Long-term debt	(16,147,868)	(17,718,629)
Obligation under capital leases	-	(28,712)
Deferred contributions related to capital assets	(25,305,940)	(26,524,472)
Interest-rate swap agreements	(375,259)	(538,444)
	9,403,742	9,366,902

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Balance sheets

as at December 31, 2012, December 31, 2011 and January 1, 2011

	December 31, 2012	December 31, 2011	January 1, 2011
	\$	\$	\$
Assets			
Current assets			
Cash	2,225,124	1,930,618	1,351,316
Cash in trust	-	23,704	230,845
Investments (Note 4)	2,215,012	2,981,201	1,882,576
Accounts receivable (Note 5)	2,369,385	2,383,661	1,803,583
Grants receivable (Note 8)	1,083,871	1,031,472	801,676
Amount receivable from the YMCAs of Québec Foundation (Note 12)	480,350	239,217	274,373
Supplies and prepaid expenses	362,470	438,312	365,454
	8,736,212	9,028,185	6,709,823
Investments (Note 4)	3,229,771	2,420,950	3,439,692
Grants receivable (Note 8)	10,641,715	11,725,586	12,757,458
Capital assets (Note 6)	41,106,697	42,959,389	44,165,008
	63,714,395	66,134,110	67,071,981
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (Note 7)	4,107,704	5,037,973	3,780,427
Interim credits related to the Cartierville project (Note 8)	-	-	7,450,000
Deferred revenue related to program activities	693,786	523,513	550,920
Deferred revenue - other	3,073,310	2,822,116	2,804,759
Current portion of long-term debt (Note 8)	1,570,762	1,507,037	1,249,479
Current portion of obligation under capital leases (Note 9)	28,712	32,251	31,826
	9,474,274	9,922,890	15,867,411
Long-term debt (Note 8)	16,147,868	17,718,629	11,606,359
Obligation under capital leases (Note 9)	-	28,712	60,962
Deferred contributions related to capital assets (Note 10)	25,305,940	26,524,472	27,475,582
Interest-rate swap agreements	375,259	538,444	122,027
	51,303,341	54,733,147	55,132,341
Commitments (Note 14)			
Net assets			
Invested in capital assets	9,403,742	9,366,902	9,727,907
Internally restricted	1,500,000	-	-
Unrestricted	1,507,312	2,034,061	2,211,733
	12,411,054	11,400,963	11,939,640
	63,714,395	66,134,110	67,071,981

Approved by the Board


....., Director


....., Director

THE YMCAs OF QUÉBEC

Statements of cash flows

years ended December 31, 2012 and December 31, 2011

	2012	2011
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses	1,010,091	(538,677)
Adjustments for:		
Change in fair value of investments	34,645	46,931
Amortization of capital assets	3,699,522	3,759,456
Loss (gain) on disposal of capital assets	4,327	(2,500)
Amortization of deferred contributions related to capital assets	(1,539,661)	(1,512,862)
Change in fair value of interest-rate swap agreements	(163,185)	416,417
	3,045,739	2,168,765
Changes in non-cash operating working capital items (Note 13)	(418,684)	594,560
	2,627,055	2,763,325
Investing activities		
Change in cash in trust	23,704	207,141
(Increase) decrease of the amount receivable from the YMCAs of Québec Foundation	(241,133)	35,156
Investments acquisition	(3,772,904)	(3,594,250)
Investments disposal	3,695,627	3,467,436
Additions to capital assets	(1,851,157)	(2,353,837)
Proceeds on disposal of capital assets	-	2,500
	(2,145,863)	(2,235,854)
Financing activities		
Receipt of grants receivable	1,031,472	802,076
Repayment of long-term debt	(1,507,036)	(1,300,172)
Increase of long-term debt	-	20,000
Repayment of obligation under capital leases	(32,251)	(31,825)
Increase in deferred contributions related to capital assets	321,129	561,752
	(186,686)	51,831
Increase in cash	294,506	579,302
Cash, beginning of year	1,930,618	1,351,316
Cash, end of year	2,225,124	1,930,618

Additional information is presented in Note 13.

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Notes to the financial statements

December 31, 2012 and December 31, 2011

1. Status and nature of activities

The YMCAs of Québec (the “YMCA”) is a registered charity committed to the fulfilment of people in spirit, mind and body and to the development of self-reliance in the individual, family and to the community.

Through its actions, programs and services, the YMCA reflects the needs and aspirations of communities and works with individuals and local communities in developing countries to achieve social justice and control of their environment.

The YMCA is incorporated under Part III of the *Companies Act* (Québec) and is a registered charity under the *Income Tax Act*.

2. Adoption of a new accounting framework

During the year ended December 31, 2012, the YMCA adopted the new Canadian accounting standards for not-for-profit organizations (the “new standards”) adopted by the Canadian Institute of Chartered Accountants (“CICA”). In accordance with Section 1501 of the CICA Handbook, *First-time Adoption* (“Section 1501”), the date of transition to the new standards is January 1, 2011, and the YMCA has prepared and presented an opening balance sheet at the date of transition to the new standards. This opening balance sheet is the starting point for the entity’s accounting under the new standards. In its opening balance sheet, under the recommendations of Section 1501, the YMCA:

- a) recognized all assets and liabilities whose recognition is required by the new standards;
- b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;
- c) reclassified items that it recognized previously as one type of asset, liability or component of net assets, but are recognized as a different type of asset, liability or component of net assets under the new standards; and
- d) applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 1501, the accounting policies set out in Note 3 have been consistently applied to all years presented and adjustments resulting from the adoption of the new standards have been applied retrospectively.

The YMCA has elected to adopt the exemptions available under Section 1501 relating to financial instruments, allowing for the accounting of certain investments held at the date of transition at fair value.

The adoption of the new standards had no impact on the financial statements, other than the obligatory presentation of the allowance for doubtful accounts, and government remittances.

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Notes to the financial statements

December 31, 2012 and December 31, 2011

3. Significant accounting policies

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

Revenue recognition

The YMCA follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

Restricted contributions related to capital assets are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

The revenue related to the program activities, institutional services and rent as well as the fees for services is recognized when the underlying services to such income were made.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the YMCA becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost except for investments that are recognized at fair value at the date of the financial statements. The investment's fair value is established at bid price. Fair value fluctuations, which include interest earned, accrued interests, realized gain and loss and unrealized gain and loss, are included in the investment's revenue.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of operations as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the YMCA recognizes in the statement of operations an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in the statement of operations in the period the reversal occurs.

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Notes to the financial statements

December 31, 2012 and December 31, 2011

3. Significant accounting policies (continued)

Interest-rate swap agreements

The YMCA uses interest-rate swap to manage the interest rate risk related to bank acceptances. The YMCA has chosen not to prepare the documentation necessary for the application of hedge accounting.

Therefore, the interest-rate swap has been recorded at fair value as a liability in the balance sheet. The fair value is determined based on stock quotes and prices obtained from financial institutions for identical or similar derivative financial instruments. Changes in the fair value of interest-rate swap agreements are presented in the statement of operations as an increase (decrease) to the fair value of interest-rate swap agreements.

Supplies

Supplies are valued at the lower of cost, which is determined on the basis of the latest invoice price or replacement value. The first in, first out method is used in the calculation of the cost.

Capital assets

Capital assets are recorded at cost and are amortized over their estimated useful lives using the straight-line method over the following terms:

Buildings	25 and 40 years
Leasehold improvements	over the term of the lease
Major renovations	10 years
Vehicles, furniture and equipment	3 to 5 years

Deferred revenue related to program activities

Deferred revenue related to program activities relates to community development programs that are government-funded.

Internally restricted net assets

This restricted balance represents resources set aside by the board of directors for purposes of going forward with certain aspects of the YMCA's strategic plan.

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 and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates. The most significant areas requiring the use of management estimates relate to the useful lives of capital assets, accrued liabilities, allowance for doubtful accounts and amortization of deferred contributions related to capital assets.

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Notes to the financial statements
December 31, 2012 and December 31, 2011

4. Investments

	<u>December 31,</u>		January 1,
	<u>2012</u>	<u>2011</u>	<u>2011</u>
	\$	\$	\$
Term deposit rate of 1.55% (2.1% as at December 31, 2011 and 1.5% as at January 1, 2011), maturing in January 2014 (July 2012 as at December 31, 2011, and January 2011 as at January 1, 2011)	100,000	100,000	100,000
Canadians bonds rates varying from 2.80% to 5.45% (2.80% to 6.05% as at December 31, 2011 and 1.65% to 6.05% as at January 1, 2011), maturing between February 2013 and April 2015 (January 2012 and September 2014 as at December 31, 2011, and June 2011 and December 2013 as at January 1, 2011)	3,102,442	5,300,578	5,052,201
Mutual funds	2,242,341	1,573	170,067
	5,444,783	5,402,151	5,322,268
Current portion	2,215,012	2,981,201	1,882,576
	3,229,771	2,420,950	3,439,692

5. Accounts receivable

	<u>December 31,</u>		January 1,
	<u>2012</u>	<u>2011</u>	<u>2011</u>
	\$	\$	\$
Clients	298,475	168,730	284,871
Allowance for doubtful accounts	(128,400)	(67,800)	(80,000)
	170,075	100,930	204,871
Accrued interest on grants receivable	304,682	330,810	6,190
Other	1,894,628	1,951,921	1,592,522
	2,369,385	2,383,661	1,803,583

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Notes to the financial statements
December 31, 2012 and December 31, 2011

6. Capital assets

	December 31, 2012		
	<u>Cost ⁽¹⁾</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
	\$	\$	\$
Land	2,601,730	-	2,601,730
Buildings, leasehold improvements and major renovations	75,254,722	38,388,629	36,866,093
Vehicles, furniture and equipment	13,204,917	11,566,043	1,638,874
	91,061,369	49,954,672	41,106,697

	December 31, 2011		
	<u>Cost ⁽¹⁾</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
	\$	\$	\$
Land	2,601,730	-	2,601,730
Buildings, leasehold improvements and major renovations	73,920,030	35,444,071	38,475,959
Vehicles, furniture and equipment	12,718,957	10,837,257	1,881,700
	89,240,717	46,281,328	42,959,389

	January 1, 2011		
	<u>Cost ⁽¹⁾</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
	\$	\$	\$
Land	2,599,237	-	2,599,237
Buildings, leasehold improvements and major renovations	72,183,441	32,550,709	39,632,732
Vehicles, furniture and equipment	11,906,702	9,973,663	1,933,039
	86,689,380	42,524,372	44,165,008

⁽¹⁾ Includes assets under capital leases in an amount of \$103,994 (\$103,994 as at December 31, 2011, and \$103,994 as at January 1, 2011).

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Notes to the financial statements
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7. Accounts payable and accrued liabilities

As at December 31, 2012, accounts payable and accrued liabilities included government remittance in the amount of \$92,948 (nil as at December 31, 2011 and as at January 1, 2011).

8. Long-term debt

	<u>December 31,</u>		<u>January 1,</u>
	<u>2012</u>	<u>2011</u>	<u>2011</u>
	\$	\$	\$
Bankers' acceptances related to the Cartierville YMCA Center	7,109,805	7,450,990	7,783,761
Note payable related to the Cartierville YMCA Center	6,850,659	7,450,000	-
Du Parc YMCA Center mortgage loan	3,092,266	3,453,476	3,795,657
Equipment loan	525,900	701,200	876,500
Note payable	140,000	170,000	-
Downtown YMCA Center loan, paid during the year 2011	-	-	399,920
	17,718,630	19,225,666	12,855,838
Current portion	1,570,762	1,507,037	1,249,479
	16,147,868	17,718,629	11,606,359

Principal payments required in each of the forthcoming years are as follows:

	\$
2013	1,570,762
2014	3,941,051
2015	1,750,580
2016	1,048,112
2017	6,007,233
2018 and thereafter	3,400,892

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Notes to the financial statements
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8. Long-term debt (continued)

Bankers' acceptances related to the Cartierville YMCA Center

Under a credit agreement, the YMCA obtained, on March 31, 2010, credit facilities of an initial amount of \$7,000,000 and \$964,000 for periods of 7 and 5 years, respectively, allowing it to borrow amounts in the form of discounted bankers' acceptances for a term varying from one month to one year. The discounted bankers' acceptances related to the Cartierville YMCA Center held as at December 31, 2012, have a term of one month, nominal values of \$6,357,185 and \$752,618, bear interest at an effective rate of 1.24% and mature on January 31, 2013. To protect against the risk of potential interest rate fluctuations on these bankers' acceptances, the YMCA has entered into interest-rate swap agreements. These derivative contracts are as follows:

- a) Nominal amount of \$7,000,000, reduced periodically based on a predetermined schedule until its expected maturity on May 31, 2017, bearing interest at a fixed rate of 3.64% in exchange for receiving a variable interest rate based on the one-month CDOR rate. Of this amount, \$1,957,430 is subsidized by an external organization.
- b) Nominal amount of \$964,000, reduced periodically based on a predetermined schedule until its expected maturity on May 31, 2015, bearing interest at a fixed rate of 3.36% in exchange for receiving a variable interest rate based on the one-month CDOR rate.

To maintain this financing, the YMCA must satisfy the same financial ratios as those of the note payable related to the Cartierville YMCA Center. As at December 31, 2012, December 31, 2011 and January 1, 2011, the YMCA was in compliance with these ratios.

Note payable related to the Cartierville YMCA Center

On January 31, 2011, interim credits of \$7,450,000 were converted into a note payable. This note payable bears interest at 4.77%, repayable in monthly principal instalments of \$953,973, including interest, as at January 31, 2012, and matures in January 2021.

A grant from the ministère de l'Éducation, du Loisir et du Sport du Québec for this project will repay the loan.

To maintain this financing, the YMCA must satisfy financial ratios related to debt service coverage and minimum net assets. The YMCA was in compliance with these ratios as at December 31, 2012 and December 31, 2011.

Du Parc YMCA Center mortgage loan

Du Parc YMCA Center has a mortgage loan for which the YMCA has signed an agreement with a donor organization (the "Organization"). The Organization has agreed to pay for the mortgage loan (capital and interest) associated with the construction of the Du Parc YMCA Center. The mortgage loan bears interest at 5.64% and matures in October 2014. The repayment terms are renewable every five years.

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8. Long-term debt (continued)

Equipment loan

The loan is related to the financing of the Cartierville YMCA Center's equipments. It bears interest at 4.18%, matures in December 2015 and is repayable in monthly principal instalments of \$14,308.

Note payable

In 2011, the YMCA concluded an agreement with an individual for the purchase of a residence of an amount of \$220,000, of which \$20,000 was payable upon signing the contract. The rest of the note payable is interest-free and is repayable in monthly principal instalments of \$2,500, beginning January 2011 and matures in July 2017.

Grant receivable relating to subsidized debt

The balance of the grants receivable related to the granted debts, in the amount of \$11,725,586 (\$12,757,058 as at December 31, 2011 and \$13,559,134 as at January 1, 2011), is as follows:

	December 31,		January 1,
	2012	2011	2011
	\$	\$	\$
Short-term grants receivable	1,083,871	1,031,472	801,676
Long-term grants receivable	10,641,715	11,725,586	12,757,458

The donor organizations have also agreed to pay the interest on the portion of the loans covered by the grants. The interest reimbursement is up to \$605,752 (\$621,669 in 2011).

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9. Obligation under capital leases

	<u>December 31,</u>		<u>January 1,</u>
	<u>2012</u>	<u>2011</u>	<u>2011</u>
	\$	\$	\$
Capital lease for a zamboni, for a total amount of \$90,125, reimbursable by monthly payments of \$2,668, including interest calculated at a rate of 4.43%, maturing on December 3, 2013	29,352	61,371	93,390
Capital lease for Westmount YMCA Center telephone equipment, for a total amount of \$13,869, reimbursable by monthly payments of \$288 including interest calculated at a rate of 9.03%, matured on August 31, 2012	-	2,305	5,763
	29,352	63,676	99,153
Less interest included in payments	640	2,713	6,365
	28,712	60,963	92,788
Current portion	28,712	32,251	31,826
	-	28,712	60,962

10. Deferred contributions related to capital assets

Deferred contributions related to capital assets represent restricted contributions from The YMCAs of Québec Foundation, government organizations, the City of Montreal and a private company. These contributions relate primarily to the buildings of the Cartierville YMCA Center, the Du Parc YMCA Center, the Downtown YMCA Center, the West Island YMCA Center, the YMCA Kanawana Camp and the improvements of a daycare. Changes in deferred contribution balances are as follows:

	<u>2012</u>	<u>2011</u>
	\$	\$
Balance, beginning of year	26,524,472	27,475,582
Contributions received	321,129	561,752
Amortization for the year	(1,539,661)	(1,512,862)
Balance, end of year	25,305,940	26,524,472

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11. Letter of guarantee

Under an agreement between the City of Montreal and the Downtown YMCA Center, the YMCA issued a \$100,000 letter of guarantee in favour of the City. This letter of guarantee expires on June 30, 2013, and is secured by a term deposit of the same amount.

12. The YMCAs of Québec Foundation

The financial statements do not include the assets, liabilities and activities of The YMCAs of Québec Foundation (the “Foundation”). The Foundation was established to perform the fund-raising activities of The YMCA; therefore, the YMCA has an economic interest in the Foundation.

During the year, the YMCA recorded revenue of \$875,871 (\$784,579 in 2011), deferred contributions related to capital assets of \$321,133 (\$541,897 in 2011) and other deferred revenue of \$139,330 (\$59,103 in 2011) for a total of \$1,336,334 (\$1,385,579 in 2011) from the Foundation. The YMCA has also paid the Foundation a total of \$319,208 (\$325,825 in 2011) as a contribution to the Foundation’s operations.

These transactions were carried out in the normal course of business and measured at the exchange amount, which is the amount of the consideration established and agreed to by the parties.

The following table is a summary of the Foundation’s financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, and the results of its operations for the years ended December 31, 2012 and December 31, 2011:

	<u>December 31,</u>		<u>January 1,</u>
	<u>2012</u>	<u>2011</u>	<u>2011</u>
	\$	\$	\$
Financial position			
Total assets	5,041,859	4,605,550	4,889,422
Total liabilities	487,850	239,487	274,373
	4,554,009	4,366,063	4,615,049

An amount of \$480,350 (\$239,217 as at December 31, 2011, and \$274,373 as at January 1, 2011), is payable to the YMCA.

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12. The YMCAs of Québec Foundation (continued)

	<u>2012</u>	<u>2011</u>
	\$	\$
Results of operations		
Fund balances, beginning of year	4,366,063	4,615,049
Total revenue, excluding endowment contributions	1,661,668	1,242,052
Endowment contributions	44,982	50,738
Total expenses and donations	(1,518,704)	(1,541,776)
Net increase (decrease) in fund balances	187,946	(248,986)
Fund balances, end of year	4,554,009	4,366,063

13. Additional information to the statements of cash flows

	<u>2012</u>	<u>2011</u>
	\$	\$
<i>Changes in non-cash operating working capital items</i>		
Accounts receivable	14,276	(580,078)
Supplies and prepaid expenses	75,842	(72,858)
Accounts payable and accrued liabilities	(930,269)	1,257,546
Deferred revenue related to program activities	170,273	(27,407)
Deferred revenue - other	251,194	17,357
	(418,684)	594,560

Additional information

	<u>2012</u>	<u>2011</u>
	\$	\$
<i>Non-cash transactions</i>		
Acquisition of capital assets	-	(200,000)
Increase of long-term debt	-	200,000
Decrease of interim credits	-	(7,450,000)
Increase of long-term debt	-	7,450,000

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14. Commitments

The YMCA is committed to leasing premises under leases and has signed service contracts with suppliers expiring through 2018. Future payments will total \$15,207,354, and include the following amounts over the forthcoming years.

	\$
2013	4,055,201
2014	3,922,357
2015	3,966,197
2016	2,885,008
2017	284,591
2018 and thereafter	94,000

One of these leases is subject to reimbursement by a government organization covering the total of monthly rent. The YMCA will, therefore, receive an annual amount of \$654,400, indexed annually, up until 2015. This reimbursement is not included in the commitments amounts presented above.

15. Financial instruments

Because of its financial assets and liabilities, the YMCA is exposed to the following risks related to the use of financial instruments:

Credit risk

In the normal course of business, the YMCA grants credit to members and maintains allowances for potential bad debt.

The YMCA is also exposed to credit risk as it owns bond investments. As such, there is a risk that an issuer would not meet its obligations towards the YMCA, which would have an impact on the YMCA's assets.

Interest rate risk

The bond investments bear interest at fixed rates. Therefore, a change in market interest rates will affect the fair value of the bonds.

A portion of the long-term debt bears interest at a fixed rate, whereas the interest related to the other portion is subsidized. Consequently, cash flow risk is minimal.

The YMCA is exposed to interest rate risk due to changes in the prime rate since the bankers' acceptances bear interest at variable rates. To manage this volatility, the YMCA uses interest-rate swap agreements to fix the interest rates of the bankers' acceptances at 2.67% and 2.95% and that mature on June 30, 2015 and May 31, 2017.