

Financial Statements of

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Year ended December 31, 2023

Independent auditor's report

To the members of
YMCA of Southern Interior BC Association

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of YMCA of Southern Interior BC Association ("the Association"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations, changes in net assets 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 YMCA of Southern Interior BC Association as at December 31, 2023, 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 Association 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association'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.

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 Association'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 Association'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 Association 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.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act of British Columbia, we report that, in our opinion, these financial statements were prepared on a basis consistent with that applied in preparing the financial statements of the preceding period.

Kelowna, Canada
May 7, 2024

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Chartered Professional Accountants

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash & cash equivalents	\$ 4,068,036	\$ 2,594,686
Restricted cash & investments (note 2)	2,007,944	3,171,044
Accounts receivable	981,955	693,839
Inventories	35,959	62,118
Prepaid expenses & deposits	168,424	116,105
	<u>7,262,318</u>	<u>6,637,792</u>
Restricted cash & investments (note 2)	4,484,447	4,243,507
Tangible capital assets (note 3)	7,767,790	7,991,175
	<u>\$ 19,514,555</u>	<u>\$ 18,872,474</u>
Liabilities & Net Assets		
Current liabilities:		
Accounts payable & accrued liabilities	\$ 1,804,093	\$ 1,706,779
Deferred revenue & deposits	1,276,912	575,574
Scheduled repayments for demand loans (note 4a)	73,191	74,848
Current portion of long-term debt (note 4b)	21,250	21,250
Current portion of deferred contributions (note 5)	1,342,203	1,787,150
	<u>4,517,649</u>	<u>4,165,601</u>
Demand loans (note 4a)	1,527,216	1,604,018
	<u>6,044,865</u>	<u>5,769,619</u>
Deferred contributions (note 5)	3,979,225	3,404,300
Long-term debt (note 4b)	21,250	42,500
	<u>10,045,340</u>	<u>9,216,419</u>
Net assets:		
Unrestricted	1,419,233	1,944,087
Invested in Tangible Capital Assets (note 6)	2,854,998	2,908,009
Liquidity Reserve (note 7)	1,000,000	1,000,000
Center of Community Development Reserve (note 7)	1,047,091	973,843
Strategic Reserve (note 7)	2,397,170	2,229,478
Kelowna Family YMCA Reserves (note 7)	40,186	40,186
Capital Replacement Reserve (note 7)	336,469	205,000
Fund Development Reserve (note 7)	374,088	355,452
	<u>9,469,215</u>	<u>9,656,055</u>
	<u>\$ 19,514,555</u>	<u>\$ 18,872,474</u>

Commitments and contingencies (notes 8 & 9)

On behalf of the Board:

_____ Director

_____ Director

See accompanying notes to financial statements.

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Statement of Operations

Year Ended December 31, 2023, with comparative figures for 2022

	2023	2022
Revenue:		
Admissions & memberships	\$ 8,310,112	\$ 6,490,764
Programs & rentals	2,196,361	2,251,881
Operational funding (note 10)	8,531,813	5,997,133
Fund development (note 10)	1,045,703	1,394,144
Lotteries	506,095	1,125,444
Other	168,494	139,560
Investment income (loss), net of unrealized gains and losses	644,549	(551,827)
Financial assistance and discounts	(429,622)	(306,297)
	20,973,505	16,540,802
Amortization of deferred capital contributions (note 5)	292,735	289,623
Gain on disposal of tangible capital assets	2,321	-
	21,268,561	16,830,425
Expenses:		
Bank charges & interest	336,670	282,811
Contract services	460,822	239,092
Information technology	802,139	602,410
Insurance	140,631	98,506
Labour	14,434,375	11,302,940
Lotteries	709,496	1,713,397
Marketing	290,959	198,517
Occupancy	766,613	677,576
Other	243,765	125,139
Participant costs	455,143	387,084
Repairs & maintenance	246,836	164,524
Staff & volunteer expense	587,429	377,810
Supplies	780,972	492,754
YMCA national	268,685	237,463
	20,524,535	16,900,023
Depreciation of tangible capital assets	922,793	876,769
	21,447,328	17,776,792
Net contribution before allocation	(178,767)	(946,367)
H2O City of Kelowna allocation (note 8b)	8,072	-
Net contribution	\$ (186,839)	\$ (946,367)

See accompanying notes to financial statements.

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Statement of Changes in Net Assets

Year Ended December 31, 2023, with comparative figures for 2022

	Invested in Tangible Capital Assets	Liquidity Reserve	Center of Community Development Reserve	Strategic Reserve	Kelowna Family YMCA Reserves	Capital Replacement Reserve	Fund Development Reserve	Unrestricted	2023	2022
	(note 6)	(note 7a)	(note 7b)	(note 7c)	(note 7d)	(note 7e)	(note 7f)			
Net assets, beginning of year	\$ 2,908,009	\$ 1,000,000	\$ 973,843	\$ 2,229,478	\$ 40,186	\$ 205,000	\$ 355,452	\$ 1,944,087	\$ 9,656,055	\$ 10,602,421
Net contribution:										
Operations	-	-	-	-	-	-	-	(186,839)	(186,839)	(946,367)
Amortization of deferred capital contributions	292,735	-	-	-	-	-	-	(292,735)	-	-
Depreciation of tangible capital assets	(922,793)	-	-	-	-	-	-	922,793	-	-
	(630,058)	-	-	-	-	-	-	443,219	(186,839)	(946,367)
Reserve Transfers	-	-	73,248	167,692	-	708,516	18,616	(968,072)	-	-
Net investment in tangible capital assets	577,047	-	-	-	-	(577,047)	-	-	-	-
Net assets, end of year	\$ 2,854,998	\$ 1,000,000	\$ 1,047,091	\$ 2,397,170	\$ 40,186	\$ 336,469	\$ 374,068	\$ 1,419,233	\$ 9,469,215	\$ 9,656,055

See accompanying notes to financial statements.

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Statement of Cash Flows

Year Ended December 31, 2023, with comparative figures for 2022

	2023	2022
Cash flows from operating activities:		
Net contribution	\$ (186,839)	\$ (946,367)
Add (deduct) items not involving cash:		
Amortization of deferred capital contributions	(292,735)	(289,623)
Depreciation of tangible capital assets	922,793	876,769
Gain on disposal of tangible capital assets	(2,321)	-
Unrealized investment (gain) loss	(330,422)	784,379
	297,315	1,371,525
Change in non-cash working capital balances:		
Accounts receivable	(288,116)	(111,242)
Inventories	26,159	(50,441)
Prepaid expenses & deposits	(52,319)	(68,174)
Accounts payable & accrued liabilities	97,314	890,530
Deferred revenue & deposits	701,338	(83,133)
Deferred contributions for future period expenses	(444,946)	724,474
	39,430	1,302,014
	149,906	1,727,172
Cash flows from investing activities:		
Change in restricted cash & investments	1,252,582	(3,068,307)
Net purchase of tangible capital assets	(697,087)	(505,996)
	555,495	(3,574,303)
Cash flows from financing activities:		
Receipt of deferred contributions for capital acquisition	867,660	150,000
Repayment of long term debt and demand loans	(99,709)	(133,946)
	767,951	16,054
Change in cash and cash equivalents	1,473,352	(1,831,077)
Cash and cash equivalents, beginning of year	2,594,686	4,425,763
Cash and cash equivalents, end of year	\$ 4,068,036	\$ 2,594,686

See accompanying notes to financial statements.

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2023

The YMCA of Southern Interior BC Association (the "Association") is a charitable organization, incorporated under the Societies Act (British Columbia), whose purpose is to support the development of strong individuals, families and communities in body, mind, and spirit, and to connect with and support the YMCA's global family. The Association is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. Summary of Significant Accounting Policies

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

(a) Revenue recognition

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

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

Fund development revenue includes contributions from governments, foundations, corporations, not-for-profit organizations, and individuals. Fund development-gaming revenue includes contributions associated with the British Columbia Community Gaming Grant. Lotteries revenue consists of the Association's share of cash received from lottery operations (note 9(d)). For each of these revenue streams, revenue is recognized when the cash is received, and any external restrictions have been met.

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

(b) Cash and cash equivalents

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

(c) Inventories

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

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2023

1. Summary of Significant Accounting Policies (continued)

(d) Tangible Capital assets

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

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

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

(e) Deferred contributions

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

(f) Contributed services

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

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

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2023

1. Summary of Significant Accounting Policies (continued)

(g) Financial instruments

The Association considers any contract creating a financial asset, liability, or equity instrument as a financial instrument, except in certain limited circumstances. A financial asset or liability is recognized when the Association becomes party to contractual provisions of the instrument. Initial measurement financial assets or liabilities obtained in arm's length transactions are initially measured at their fair value. In the case of a financial asset or liability not being subsequently measured at fair value, the initial fair value will be adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Financing fees and transaction costs on financial instruments subsequently measured at fair value are expensed as incurred. Investments and cash equivalents are recorded at fair value, net of transaction costs, on a trade date basis.

The Association subsequently measures the remaining financial assets and financial liabilities at amortized cost. These financial instruments include accounts receivable, accounts payable and accrued liabilities and demand loans and long-term debt.

Financial assets and financial liabilities in related party transactions are initially measured at cost, with the exception of certain instruments which are initially measured at fair value. The Association does not have any financial assets or financial liabilities in related party transactions which are initially measured at fair value.

Gains or losses arising on initial measurement differences are generally recognized in net income when the transaction is in the normal course of operations, and in equity when the transaction is not in the normal course of operations, subject to certain exceptions.

Financial assets and financial liabilities recognized in related party transactions are subsequently measured based on how the Association initially measured the Instrument. Financial instruments initially measured at cost are subsequently measured at cost, less any impairment for financial assets. Financial instruments initially measured at fair value, of which the Association has none, would be subsequently measured at amortized cost or fair value based on certain conditions.

The Association's financial assets (or groups of similar financial assets) are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in the statement of operations.

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2023

1. Summary of Significant Accounting Policies (continued)

(h) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Actual results could differ from those estimates.

(i) Employee future benefits

The Association's employees are eligible to enroll in a defined contribution retirement plan offered by YMCA Canada. The expense for the year ended December 31, 2023, related to this plan totalled \$236,239 (2022 - \$219,612).

(j) Lotteries

The Association entered into a Joint Venture Agreement with the Kelowna General Hospital Foundation, with respect to the operation of a home lottery. The arrangement is accounted for using the proportionate consolidation method.

2. Restricted Cash & Investments

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Externally restricted:				
Cash and cash equivalents	\$ 170,137	\$ 170,137	\$ 1,469,281	\$ 1,469,281
Fixed income	1,219,293	1,127,270	1,289,550	1,141,311
	1,389,431	1,297,407	2,758,830	2,610,592
Internally restricted:				
Fixed income	2,512,039	2,322,449	1,975,243	1,748,182
Equities	2,227,076	2,872,535	2,526,449	3,055,777
	4,739,116	5,194,984	4,501,692	4,803,959
	\$ 6,128,546	\$ 6,492,391	\$ 7,260,522	\$ 7,414,551
		2023		2022
Current portion		\$ 2,007,944		\$ 3,171,044
Non current portion		4,484,447		4,243,507
		\$ 6,492,391		\$ 7,414,551

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2023

3. Tangible Capital Assets

December 31, 2023	Cost	Accumulated Amortization	Net Book Value
Building	\$ 4,961,912	\$ 776,148	\$ 4,185,764
Leasehold improvements	7,266,617	4,511,118	2,755,498
Office equipment	540,966	524,505	16,461
Program equipment	2,465,645	2,252,277	213,368
Computer hardware & software including cloud based software	1,304,140	1,087,099	217,041
Vehicles	647,270	267,612	379,658
	\$ 17,186,549	\$ 9,418,759	\$ 7,767,790

December 31, 2022	Cost	Accumulated Amortization	Net Book Value
Building	\$ 4,841,067	\$ 533,543	\$ 4,307,524
Leasehold improvements	7,226,848	4,128,908	3,097,940
Office equipment	540,966	512,819	28,147
Program equipment	2,465,645	2,108,962	356,683
Computer hardware & software including cloud based software	1,105,322	981,732	123,590
Vehicles	326,793	249,502	77,291
	\$ 16,506,641	\$ 8,515,466	\$ 7,991,175

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

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2023

4a. Demand Loans

	2023	2022
Interior Savings Credit Union Loans:		
Repayable in monthly installments of \$3,600 including interest at the lender's prime rate less 0.5%	\$ 392,244	\$ 409,884
Repayable in monthly installments of \$2,974 including interest at the lender's prime rate less 0.5%	38,637	70,775
Repayable in monthly installments of \$8,300 including interest at the lender's prime rate less 0.5%	1,169,526	1,198,207
	1,600,407	1,678,866
Scheduled principal repayments in the upcoming year	(73,191)	(74,848)
	\$ 1,527,216	\$ 1,604,018

The first two Interior Savings Credit Union demand loans are secured by a general security agreement, a fixed charge over fitness equipment, and a tripartite agreement between the Association, the City of Kelowna, and Interior Savings, with a Solicitor's Letter of Opinion whereby the City of Kelowna will assume the loan obligations in the event of default. The third demand loan is secured by a general security agreement. The Association also has an operating line of credit with an available limit of \$300,000, at the same rate of interest as the demand loans. No amount was drawn on the line of credit as at December 31, 2023.

Scheduled principal payments required in each of the next five years are approximately as follows:

2024	73,191
2025	46,567
2026	44,966
2027	48,073
2028	51,129

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2023

4b. Long-Term Debt

	2023	2022
Bridge financing from the City of Kelowna Non-interest bearing, payable in cumulative annual repayments of not less than \$21,250	\$ 42,500	\$ 63,750
Less: current portion	(21,250)	(21,250)
	\$ 21,250	\$ 42,500

5. Deferred Contributions

	2023	2022
Deferred contributions - future period expenses		
Balance, beginning of year	\$ 1,787,150	\$ 1,062,676
Contributions received	8,817,456	8,405,308
Amount recognized in revenue	(9,262,403)	(7,680,834)
Balance, end of year	\$ 1,342,203	\$ 1,787,150
Deferred contributions - capital acquisitions		
Balance, beginning of year	\$ 3,404,300	\$ 3,543,923
Contributions received	867,660	150,000
Amount recognized in revenue	(292,735)	(289,623)
Balance, end of year	\$ 3,979,225	\$ 3,404,300
	\$ 5,321,428	\$ 5,191,450

Deferred capital contributions as at December 31, 2023, includes unspent capital contributions totaling \$666,840 (2022 - \$nil). Unspent capital contributions are included in restricted cash and investments (note 2).

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2023

6. Net Assets Invested in Tangible Capital Assets

	2023	2022
Tangible capital assets	\$ 7,767,790	\$ 7,991,175
Less amounts financed by:		
Demand loans	(1,600,407)	(1,678,866)
Deferred capital contributions	(3,312,385)	(3,404,300)
	\$ 2,854,998	\$ 2,908,009

7. Restricted Net Assets

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

(a) Liquidity Reserve

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

(b) Center of Community Development Reserve

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

(c) Strategic Reserve

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

(d) Kelowna Family YMCA Reserves

i) KFY Deficit Reserve: As required in the Association's contract with the City of Kelowna for the operation of the Kelowna Family YMCA, the Association is responsible to maintain a financial deficit reserve account to a minimum balance equal to 5% of the annual purchase of services payment by the City to be used to fund future operating deficits. Any surplus in the reserve will revert back to the City upon termination or completion of the agreement. Based on the 2023 purchase of service, the 2023 reserve balance is unchanged at \$35,097.

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2023

7. Restricted Net Assets (continued)

(d) Kelowna Family YMCA Reserves (continued)

- ii) KFY Repairs and Maintenance Reserve: Net assets restricted for the repairs and maintenance reserve are restricted for the purposes of funding preventative and first-line repairs to the Kelowna Family YMCA facility in accordance with the Association's agreement with the City of Kelowna. Appropriations consist of the surplus of annual preventative and first-line repairs, as prescribed in the agreement, over actual preventative and first-line repairs expenditures. In 2023, these expenditures exceeded the threshold of \$54,235 resulting in no appropriations and leaving the reserve unchanged at \$5,089.

(e) Capital Replacement Reserve

Net assets restricted for the Capital Replacement Reserve are restricted for the purposes of replacing equipment and enhancing and repairing existing buildings and leasehold improvements.

(f) Fund Development Reserve

Net assets restricted for the Fund Development Reserve consist of unspent unrestricted donated funds restricted for the purposes of supporting community programs and other charitable operations.

8. City of Kelowna Contracts

(a) Kelowna Family YMCA agreement

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

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

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

The remaining 50% is available for use by the Association at its sole discretion. After January 1, 2031, 50% of the surplus will be retained by the Association and the remaining 50% will be retained by the City.

The agreement can be terminated by either party without cause on or after April 1, 2025 provided 18 months' notice is given and certain other conditions are met. On termination the City and the Association are subject to certain conditions as outlined in the agreement.

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2023

8. City of Kelowna Contracts (continued)

(b) H2O Fitness and Adventure Centre

The Association entered into an agreement with the City of Kelowna (the “City”) effective January 1, 2012, for the operation of the H2O Adventure & Fitness Centre (the “H2O Centre”). The existing agreement term expired December 31, 2023. A new three-year agreement has been signed which includes two one-year options to extend. The City owns the facility, improvements to the H2O Centre, and equipment within the H2O Centre.

In consideration of the performance by the Association of its obligations under the contract, the Association is entitled to an inflation-adjusted recovery of administration expenses of \$432,027 (2022 - \$404,116) plus an annual calculated amount for YMCA Canada Affiliation fees in accordance with the YMCA Canada formula of \$61,536 (2022 - \$50,779).

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

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

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

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2023

9. Commitments and Contingencies

(a) Commitments

The Association has operating lease contracts for various program locations, office equipment, and subscription-based contracts for use of online software and support.

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

2024	\$	738,892
2025		516,627
2026		506,620
2027		203,686
2028		91,953
	\$	2,057,778

(b) Litigation and claims

Management reviews its exposure to any potential litigation for which it would not be covered by insurance and whether a successful claim against the Association would materially affect its financial statements. The Association is currently not aware of any claims brought against it that if not defended successfully would result in a material loss in these financial statements.

(c) Letter of Credit

The Association has an outstanding letter of credit for \$27,216, which represents a performance bond in favor of The City of Kelowna.

(d) Lotteries agreements

The Association entered into a Joint Venture Agreement and Bare Trust and Agency Agreement with the Kelowna General Hospital Foundation, with respect to the operation of lotteries. Pursuant to the agreements, the Association receives 50% of the related ticket revenue and incurs 50% of the related expenses such as marketing, lottery operations and cost of prizes. Externally restricted cash includes \$393,952 lottery funds (2022 - \$1,065,287). At December 31, 2023, in connection with the lottery prize home, the Association had a purchase commitment of \$962,500.

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2023

10. Contributions Revenue

	2023	2022
Operational funding		
Government of Canada	\$ 1,214,700	\$ 1,071,702
Canada Emergency Wage Subsidies	-	173,775
Government of British Columbia	5,665,319	3,543,568
City of Kelowna	816,916	764,188
Interior Health Authority	36,069	42,746
Contributions from foundations, corporations, not-for-profit organizations, and individuals	798,809	401,154
	<u>8,531,813</u>	<u>5,997,133</u>
Fund development		
British Columbia Community Gaming Grant	225,000	231,400
Government of Canada	29,365	68,678
Contributions from foundations, corporations, not-for-profit organizations, and individuals	791,338	1,094,066
	<u>1,045,703</u>	<u>1,394,144</u>
	<u>\$ 9,577,516</u>	<u>\$ 7,391,277</u>

11. Financial Risk and Concentrations of Risk

(a) Credit risk

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

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2023

11. Financial Risk and Concentrations of Risk (continued)

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates, market interest rates, or market prices (other than those arising from interest rate risk and currency risk). The Association is exposed to market risk with respect to its restricted cash and cash equivalents and investments (note 2). In keeping with the Association Investment Policy, investments have been made in such a manner as to achieve an optimal rate of return within well-defined risk tolerances. The Association is exposed to interest rate and cash flow risk in relation to its demand loans and long-term debt as disclosed in notes 4a and 4b, respectively. Market risk was impacted in the 2023 fiscal year by fluctuations in market prices for fixed income investments and by increases in Canadian interest rates, including prime lending rates for financial institutions.

(c) Liquidity risk

Liquidity risk is the risk that the Association will be unable to meet its financial obligations. The Association maintains sufficient working capital to meet its day-to-day obligations and holds an additional \$1,000,000 in a Liquidity Reserve. Liquidity risk was impact for the 2023 fiscal year through the Association's net deficit for the year and changes in market risks described above.

12. Related Party Payments

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

13. Remuneration paid to Directors, Employees and Contractors

In accordance with the disclosure requirements of the Societies Act (BC) Section 36.1 and Societies Regulation 9.2(b):

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

For the fiscal year ending 2023, the Association paid total remuneration of \$2,790,902 to twenty-eight employees for services, each of whom received total annual remuneration of \$75,000 or greater. Remuneration includes all wages, bonuses, and taxable benefits.

14. Comparative Figures

Comparative figures have been reclassified to conform to changes in the current year presentation.