

Financial Statements of

**YMCA OF SOUTHERN INTERIOR BC ASSOCIATION**

(Formerly YMCA of Okanagan Association)

Year ended December 31, 2022

# Independent auditor's report

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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, 2022, and the statements of operations, changes in net assets and cash flows for the year then ended, and the 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, 2022, and the results of its 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 2, 2023

*Grant Thornton LLP*

Chartered Professional Accountants

# YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

(Formerly YMCA of Okanagan Association)

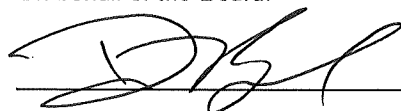
## Statement of Financial Position


December 31, 2022, with comparative information for 2021

	2022	2021
<b>Assets</b>		
<b>Current assets:</b>		
Cash & cash equivalents	\$ 2,594,686	\$ 4,425,763
Restricted cash & investments (note 2)	3,171,044	1,070,516
Accounts receivable	693,839	582,597
Inventories	62,118	11,677
Prepaid expenses & deposits	116,105	47,931
	<u>6,637,792</u>	<u>6,138,484</u>
Restricted cash & investments (note 2)	4,243,507	4,060,107
Tangible capital assets (note 3)	7,991,175	8,361,948
	<u>\$ 18,872,474</u>	<u>\$ 18,560,539</u>
<b>Liabilities &amp; Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable & accrued liabilities	\$ 1,706,779	\$ 816,249
Deferred revenue & deposits	575,574	658,707
Scheduled repayments for demand loans (note 4a)	74,848	114,024
Current portion of long-term debt (note 4b)	21,250	42,500
Current portion of deferred contributions (note 5)	1,787,150	1,062,676
	<u>4,165,601</u>	<u>2,694,156</u>
Demand loans (note 4a)	1,604,018	1,656,288
	<u>5,769,619</u>	<u>4,350,445</u>
Deferred contributions (note 5)	3,404,300	3,543,923
Long-term debt (note 4b)	42,500	63,750
	<u>9,216,419</u>	<u>7,958,118</u>
<b>Net assets:</b>		
Unrestricted	1,944,087	3,486,761
Invested in Tangible Capital Assets (note 6)	2,908,009	3,047,713
Liquidity Reserve (note 7)	1,000,000	1,000,000
Center of Community Development Reserve (note 7)	973,843	920,470
Strategic Reserve (note 7)	2,229,478	2,107,291
Kelowna Family YMCA Reserves (note 7)	40,186	40,186
Capital Replacement Reserve (note 7)	205,000	-
Fund Development Reserve (note 7)	355,452	-
	<u>9,656,055</u>	<u>10,602,421</u>
	<u>\$ 18,872,474</u>	<u>\$ 18,560,539</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

(Formerly YMCA of Okanagan Association)

## Statement of Operations

Year Ended December 31, 2022, with comparative figures for 2021

	2022	2021
Revenue:		
Admissions & memberships	\$ 6,490,764	\$ 4,973,985
Programs & rentals	2,251,881	2,502,080
Operational funding (note 10)	5,997,133	5,304,140
Fund development (note 10)	1,394,144	1,012,444
Lotteries	1,125,444	-
Other	139,560	113,006
Investment (loss) income, net of unrealized gains and losses	(551,827)	549,807
Financial assistance and discounts	(306,297)	(476,543)
	16,540,802	13,978,920
Amortization of deferred capital contributions (note 5)	289,623	236,678
	16,830,425	14,215,598
Expenses:		
Bank charges & interest	282,811	165,807
Contract services	239,092	264,150
Information technology	602,410	609,722
Insurance	98,506	73,764
Labour	11,302,940	9,515,065
Lotteries	1,713,397	-
Marketing	198,517	147,367
Occupancy	677,576	602,547
Other	125,139	41,101
Participant costs	387,084	351,642
Repairs & maintenance	164,524	123,996
Staff & volunteer expense	377,810	367,844
Supplies	492,754	432,648
YMCA national	237,463	187,809
	16,900,023	12,883,462
Depreciation of tangible capital assets	876,769	752,838
	17,776,792	13,636,300
Net contribution before allocation	(946,367)	579,298
H2O City of Kelowna allocation (note 8b)	-	(93,029)
Net contribution	\$ (946,367)	\$ 672,327

See accompanying notes to financial statements.

# YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

(Formerly YMCA of Okanagan Association)  
Statement of Changes in Net Assets

Year Ended December 31, 2022, with comparative figures for 2021

	(note 6)	(note 7a)	(note 7b)	(note 7c)	(note 7d)	(note 7e)	(note 7f)	2021
	Invested in Tangible Capital Assets	Liquidity Reserve	Center of Community Development Reserve	Strategic Reserve	Kelowna Family YMCA Reserves	Capital Replacement Reserve	Fund Development Reserve	2022
							Unrestricted	
Net assets, beginning of year	\$ 3,047,713	\$ 1,000,000	\$ 920,470	\$ 2,107,291	\$ 40,186	\$ -	\$ 3,486,761	\$ 9,930,095
Net contribution:								
Operations	-	-	-	-	-	-	(946,367)	672,326
Amortization of deferred capital contributions	289,623	-	-	-	-	-	(289,623)	-
Depreciation of tangible capital assets	(876,769)	-	-	-	-	-	876,769	-
Reserve Transfers	(587,146)	-	-	-	-	-	(359,221)	672,326
Net investment in tangible capital assets	447,442	-	53,373	122,187	-	652,442	(1,183,454)	-
Net assets, end of year	\$ 2,908,009	\$ 1,000,000	\$ 973,843	\$ 2,229,478	\$ 40,186	\$ 205,000	\$ 1,944,087	\$ 10,602,421

See accompanying notes to financial statements.

# YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

(Formerly YMCA of Okanagan Association)

## Statement of Cash Flows

Year Ended December 31, 2022, with comparative figures for 2021

	2022	2021
Cash flows from operating activities:		
Net contribution	\$ (946,367)	\$ 672,327
Add (deduct) items not involving cash:		
Amortization of deferred capital contributions	(289,623)	(236,678)
Depreciation of tangible capital assets	876,769	752,838
Unrealized investment loss (gain)	784,379	(240,094)
	1,371,525	276,066
Change in non-cash working capital balances:		
Accounts receivable	(111,242)	1,249,313
Inventories	(50,441)	18,208
Prepaid expenses & deposits	(68,174)	17,810
Accounts payable & accrued liabilities	890,530	(476,391)
Deferred revenue & deposits	(83,133)	55,831
Deferred contributions for future period expenses	724,474	60,501
	1,302,014	925,272
	1,727,172	1,873,665
Cash flows from investing activities:		
Change in restricted cash & investments	(3,068,307)	1,999,801
Net purchase of tangible capital assets	(505,996)	(2,071,032)
	(3,574,303)	(71,231)
Cash flows from financing activities:		
Receipt of deferred contributions for capital acquisition	150,000	426,527
Proceeds from demand loans	-	1,250,000
Repayment of long term debt and demand loans	(133,946)	(92,424)
	16,054	1,584,103
Change in unrestricted cash and cash equivalents	(1,831,077)	3,386,536
Unrestricted cash and cash equivalents, beginning of year	4,425,763	1,039,227
Unrestricted cash and cash equivalents, end of year	\$ 2,594,686	\$ 4,425,763

See accompanying notes to financial statements.

# YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

(Formerly YMCA of Okanagan Association)

Notes to Financial Statements

Year Ended December 31, 2022

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. During the year ended December 31, 2022, the Association changed its name from YMCA of Okanagan Association to YMCA of Southern Interior BC Association.

## 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.



# YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

(Formerly YMCA of Okanagan Association)

Notes to Financial Statements

Year Ended December 31, 2022

## 1. Summary of Significant Accounting Policies (continued)

### (b) Cash and cash equivalents

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

### (c) Inventories

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

### (d) Tangible capital assets

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

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

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

### (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.

# YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

(Formerly YMCA of Okanagan Association)

Notes to Financial Statements

Year Ended December 31, 2022

## 1. Summary of Significant Accounting Policies (continued)

### (f) Contributed services

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

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

### (g) Financial instruments

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.

# YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

(Formerly YMCA of Okanagan Association)

Notes to Financial Statements

Year Ended December 31, 2022

## (a) Summary of Significant Accounting Policies (continued)

### (g) Financial instruments (continued)

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.

### (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, 2022, related to this plan totalled \$219,612 (2021 - \$229,507).

### (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 policy used for the joint venture is the proportionate consolidation method.

## 2. Restricted Cash & Investments

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Externally restricted:				
Cash and cash equivalents	\$ 1,469,281	\$ 1,469,281	\$ 52,040	\$ 52,040
Fixed income	1,289,550	1,141,311	1,019,395	1,010,636
	<u>2,758,830</u>	<u>2,610,592</u>	<u>1,071,435</u>	<u>1,062,676</u>
Internally restricted:				
Fixed income	1,975,243	1,748,182	729,828	729,170
Equities	2,526,449	3,055,777	2,397,591	3,338,777
	<u>4,501,692</u>	<u>4,803,959</u>	<u>3,127,419</u>	<u>4,067,947</u>
	<u>\$ 7,260,522</u>	<u>\$ 7,414,551</u>	<u>\$ 4,198,854</u>	<u>\$ 5,130,623</u>

# YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

(Formerly YMCA of Okanagan Association)

Notes to Financial Statements

Year Ended December 31, 2022

## 3. Tangible Capital Assets

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	1,105,322	981,732	123,590
Vehicles	326,793	249,502	77,291
	\$ 16,506,641	\$ 8,515,466	\$ 7,991,175

December 31, 2021	Cost	Accumulated Amortization	Net Book Value
Building	\$ 4,761,847	\$ 294,025	\$ 4,467,822
Leasehold improvements	7,181,484	3,746,261	3,435,223
Office equipment	526,438	473,479	52,959
Program equipment	2,519,173	2,428,878	90,295
Computer hardware & software	1,092,258	885,746	206,513
Vehicles	326,793	217,657	109,136
	\$ 16,407,993	\$ 8,046,046	\$ 8,361,948

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

(Formerly YMCA of Okanagan Association)

Notes to Financial Statements

Year Ended December 31, 2022

## 4a. Demand Loans

	2022	2021
Interior Savings Credit Union Loans:		
Repayable in monthly installments of \$3,600 including interest at the lender's prime rate less 0.5%	\$ 409,884	\$ 433,511
Repayable in monthly installments of \$2,974 including interest at the lender's prime rate less 0.5%	70,775	103,654
Repayable in monthly installments of \$8,300 including interest at the lender's prime rate less 0.5%	1,198,207	1,233,147
	1,678,866	1,770,312
Scheduled principal repayments in the upcoming year	(74,848)	(114,024)
	\$ 1,604,018	\$ 1,656,288

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, 2022.

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

	2022	2021
2023	74,848	116,300
2024	79,088	117,300
2025	52,005	84,900
2026	50,981	86,600
2027	54,246	88,200

# YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

(Formerly YMCA of Okanagan Association)

Notes to Financial Statements

Year Ended December 31, 2022

## 4b. Long-Term Debt

	2022	2021
Bridge financing from the City of Kelowna Non-interest bearing, payable in cumulative annual repayments of not less than \$21,250	\$ 63,750	\$ 106,250
Less: current portion	(21,250)	(42,500)
	\$ 42,500	\$ 63,750

## 5. Deferred Contributions

	2022	2021
Deferred contributions - future period expenses		
Balance, beginning of year	\$ 1,062,676	\$ 1,002,175
Contributions received	9,530,752	6,377,086
Amount recognized in revenue	(8,806,278)	(6,316,585)
Balance, end of year	\$ 1,787,150	\$ 1,062,676
Deferred contributions - capital acquisitions		
Balance, beginning of year	\$ 3,543,923	\$ 3,354,074
Contributions received	150,000	426,527
Amount recognized in revenue	(289,623)	(236,678)
Balance, end of year	\$ 3,404,300	\$ 3,543,923
	\$ 5,191,450	\$ 4,606,599

# YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

(Formerly YMCA of Okanagan Association)

Notes to Financial Statements

Year Ended December 31, 2022

## 6. Net Assets Invested in Tangible Capital Assets

	2022	2021
Tangible capital assets	\$ 7,991,175	\$ 8,361,948
Less amounts financed by:		
Demand loans	(1,678,866)	(1,770,312)
Deferred capital contributions	(3,404,300)	(3,543,923)
	\$ 2,908,009	\$ 3,047,713

## 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 2022 purchase of service, the 2022 reserve balance is unchanged at \$35,097.

# YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

(Formerly YMCA of Okanagan Association)

Notes to Financial Statements

Year Ended December 31, 2022

## 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 2022 these expenditures exceeded the threshold of \$50,735 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

(Formerly YMCA of Okanagan Association)

Notes to Financial Statements

Year Ended December 31, 2022

## 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 current agreement term expires December 31, 2023. The City owns the facility, improvements to the H2O Centre, and equipment within the H2O Centre.

In consideration of the performance by the Association of its obligations under the contract, the Association is entitled to an inflation-adjusted recovery of administration expenses of \$404,116 (2021 - \$393,130) plus an annual calculated amount for YMCA Canada Affiliation fees in accordance with the YMCA Canada formula of \$50,779 (2021 - \$40,318).

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

(Formerly YMCA of Okanagan Association)  
Notes to Financial Statements

Year Ended December 31, 2022

## 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. Two contracts include automatic renewals for 1-year terms and the third has an initial term of 48 month expiring at the end of 2026, with an initial launch fee and after 2026 includes automatic renewals for 1-year terms. A fourth contract has been signed early 2023 that has an initial term of 36 months, expiring mid 2026 and implementation costs being incurred in 2023.

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

	2022	2021
2023	\$ 602,078	\$ 401,535
2024	326,154	265,372
2025	291,457	264,689
2026	278,584	216,562
2027	36,854	36,854
	\$ 1,535,127	\$ 1,185,012

### (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 \$1,065,287 lottery funds.

# YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

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Notes to Financial Statements

Year Ended December 31, 2022

## 10. Contributions Revenue

	2022	2021
<b>Operational funding</b>		
Government of Canada	\$ 1,071,702	\$ 869,687
Canada Emergency Wage Subsidies	173,775	1,168,729
Government of British Columbia	3,543,568	2,196,604
City of Kelowna	764,188	743,373
Interior Health Authority	42,746	38,242
Contributions from foundations, corporations, not-for-profit organizations, and individuals	401,154	287,505
	<u>5,997,133</u>	<u>5,304,140</u>
<b>Fund development</b>		
British Columbia Community Gaming Grant	231,400	229,916
Government of Canada	68,678	135,285
Contributions from foundations, corporations, not-for-profit organizations, and individuals	1,094,066	647,243
	<u>1,394,144</u>	<u>1,012,444</u>
	<u>\$ 7,391,277</u>	<u>\$ 6,316,585</u>

During the year the Association was approved to receive government pandemic assistance totalling \$173,775 (2021 - \$1,168,729). As at December 31, 2022, accounts receivable included government pandemic assistance receivable of \$nil (2021 - \$357,059).

## 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

(Formerly YMCA of Okanagan Association)  
Notes to Financial Statements

Year Ended December 31, 2022

## 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 2022 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 2022 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 Societies Act (B.C.) Section 36.1 and Societies Regulation 9.2(b):

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

For the fiscal year ending 2022, the Association paid total remuneration of \$1,742,033 (2021 - \$1,327,789) to eighteen employees (2021 – twelve) 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.