

Financial Statements of

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Year ended December 31, 2025

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, 2025, 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, 2025, 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 6, 2026


Chartered Professional Accountants

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
Assets		
Current assets:		
Cash & cash equivalents	\$ 3,028,106	\$ 3,131,813
Restricted cash & investments (note 2)	4,935,574	4,674,213
Accounts receivable	1,168,452	492,794
Inventories	17,231	10,723
Prepaid expenses & deposits	319,675	195,257
	<u>9,469,038</u>	<u>8,504,800</u>
Restricted cash & investments (note 2)	5,566,114	4,918,619
Tangible capital assets (note 3)	10,936,569	8,615,478
	<u>\$ 25,971,721</u>	<u>\$ 22,038,897</u>
Liabilities & Net Assets		
Current liabilities:		
Accounts payable & accrued liabilities	\$ 1,977,401	\$ 1,659,193
Deferred revenue & deposits	650,535	648,725
Scheduled repayments for demand loans (note 4)	30,044	29,683
Current portion of long-term debt	-	21,250
Current portion of deferred contributions (note 5)	1,908,477	1,763,157
	<u>4,566,458</u>	<u>4,122,008</u>
Demand loans (note 4)	316,705	348,425
	<u>4,883,163</u>	<u>4,470,433</u>
Deferred contributions (note 5)	8,203,759	6,240,381
	<u>13,086,922</u>	<u>10,710,814</u>
Net assets:		
Unrestricted	1,960,083	1,507,387
Invested in Tangible Capital Assets (note 6)	3,851,550	3,936,702
Liquidity Reserve (note 7)	1,400,000	1,200,000
Strategic Reserve (note 7)	4,125,928	3,678,433
Kelowna Family YMCA Reserves (note 7)	40,186	40,186
Capital Replacement Reserve (note 7)	442,298	477,066
Fund Development Reserve (note 7)	1,064,754	488,309
	<u>12,884,799</u>	<u>11,328,083</u>
	<u>\$ 25,971,721</u>	<u>\$ 22,038,897</u>

Commitments and contingencies (notes 8 & 9)

On behalf of the Board:

Bruce Lake

Director

Kyleaf Magee

Director

See accompanying notes to financial statements.

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Statement of Operations

Year Ended December 31, 2025, with comparative figures for 2024

	2025	2024
Revenue:		
Admissions & memberships	\$ 9,790,702	\$ 9,201,601
Programs & rentals	3,493,739	2,957,226
Operational funding (note 10)	12,270,984	11,514,929
Fund development (note 10)	2,436,599	1,597,560
Lotteries	-	678,259
Other	200,355	175,663
Investment income, net of unrealized gains and losses	918,516	900,425
Financial assistance and discounts	(741,973)	(683,662)
	28,368,922	26,342,001
Amortization of deferred capital contributions (note 5)	388,253	316,319
Gain on disposal of tangible capital assets	21,142	-
	28,778,318	26,658,320
Expenses:		
Bank charges & interest	276,914	290,144
Contract services	298,625	250,205
Information technology	810,225	674,314
Insurance	167,724	182,307
Labour	19,174,949	16,959,246
Lotteries	-	675,412
Marketing	275,587	233,388
Occupancy	1,704,500	1,592,019
Other	118,173	98,046
Participant costs	568,923	416,432
Repairs & maintenance	320,433	280,799
Staff & volunteer expense	634,380	485,755
Supplies	1,331,048	975,846
YMCA national	347,291	321,230
	26,028,772	23,435,143
Depreciation of tangible capital assets	1,154,737	979,405
	27,183,509	24,414,548
Net contribution before allocation	1,594,809	2,243,772
H2O City of Kelowna allocation (note 8b)	38,093	384,904
Net contribution	\$ 1,556,716	\$ 1,858,868

See accompanying notes to financial statements.

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Statement of Changes in Net Assets

Year Ended December 31, 2025, with comparative figures for 2024

	Invested in Tangible Capital Assets	Liquidity Reserve	Strategic Reserve	Kelowna Family YMCA Reserves	Capital Replacement Reserve	Fund Development Reserve	Unrestricted	2025	2024
	(note 6)	(note 7a)	(note 7b)	(note 7c)	(note 7d)	(note 7e)			
Net assets, beginning of year	\$ 3,936,702	\$ 1,200,000	\$ 3,678,433	\$ 40,186	\$ 477,066	\$ 488,309	\$ 1,507,387	\$ 11,328,083	\$ 9,469,215
Net contribution:									
Operations	-	-	-	-	-	-	1,556,716	1,556,716	1,858,868
Amortization of deferred capital contributions	388,253	-	-	-	-	-	(388,253)	-	-
Depreciation of tangible capital assets	(1,154,737)	-	-	-	-	-	1,154,737	-	-
	(766,483)	-	-	-	-	-	2,323,199	1,556,716	1,858,868
Reserve Transfers		200,000	447,495	-	646,563	576,445	(1,870,503)	-	-
Net investment in tangible capital assets	681,331	-	-	-	(681,331)	-	-	-	-
Net assets, end of year	\$ 3,851,550	\$ 1,400,000	\$ 4,125,928	\$ 40,186	\$ 442,298	\$ 1,064,754	\$ 1,960,083	\$ 12,884,799	\$ 11,328,083

See accompanying notes to financial statements.

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Statement of Cash Flows

Year Ended December 31, 2025, with comparative figures for 2024

	2025	2024
Cash flows from operating activities:		
Net contribution	\$ 1,556,716	\$ 1,858,868
Add (deduct) items not involving cash:		
Amortization of deferred capital contributions	(388,253)	(316,319)
Depreciation of tangible capital assets	1,154,737	979,405
Gain on disposal of tangible capital assets	(21,142)	-
Unrealized investment gain	(325,037)	(511,149)
	420,304	151,937
Change in non-cash working capital balances:		
Accounts receivable	(675,658)	489,161
Inventories	(6,508)	25,236
Prepaid expenses & deposits	(124,418)	(26,833)
Accounts payable & accrued liabilities	318,208	(144,900)
Deferred revenue & deposits	1,810	(628,187)
Deferred contributions for future period expenses	145,320	420,954
	(341,245)	135,431
	1,635,775	2,146,236
Cash flows from investing activities:		
Change in restricted cash & investments	(583,819)	(2,589,292)
Net purchase of tangible capital assets	(3,454,685)	(1,827,093)
	(4,038,504)	(4,416,385)
Cash flows from financing activities:		
Receipt of deferred contributions for capital acquisition	2,351,632	2,577,475
Repayment of long term debt and demand loans	(52,609)	(1,243,549)
	2,299,023	1,333,926
Change in cash and cash equivalents	(103,706)	(936,223)
Cash and cash equivalents, beginning of year	3,131,813	4,068,036
Cash and cash equivalents, end of year	\$ 3,028,106	\$ 3,131,813

See accompanying notes to financial statements.

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2025

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. 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 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, 2025

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 - 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, 2025

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.

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.

The Association subsequently measures its financial assets and financial liabilities from arm's length transactions at amortized cost less any reduction for impairment, except for investments, which are measured at fair value, net of transaction costs, on a trade date basis. Changes in the fair value of investments are recognized in net contribution. Financial instruments measured at cost or amortized cost less any reduction for impairment consist of cash & cash equivalents, restricted cash, accounts receivable, accounts payable & accrued liabilities, deposits, and demand loans.

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, 2025, related to this plan totalled \$317,972 (2024 - \$275,444).

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2025

2. Restricted Cash & Investments

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Externally restricted:				
Cash and cash equivalents	\$ 2,661,603	\$ 2,661,603	\$ 2,483,960	\$ 2,483,960
Fixed income	817,139	766,919	1,315,678	1,224,877
	<u>3,478,742</u>	<u>3,428,522</u>	<u>3,799,638</u>	<u>3,708,838</u>
Internally restricted:				
Fixed income	2,684,009	2,519,054	1,940,022	1,806,132
Equities	3,130,074	4,554,112	2,978,177	4,077,862
	<u>5,814,083</u>	<u>7,073,166</u>	<u>4,918,199</u>	<u>5,883,994</u>
	<u>\$ 9,292,825</u>	<u>\$ 10,501,688</u>	<u>\$ 8,717,837</u>	<u>\$ 9,592,832</u>

	2025	2024
Current portion	\$ 4,935,574	\$ 4,674,213
Non current portion	5,566,114	4,918,619
	<u>\$ 10,501,688</u>	<u>\$ 9,592,832</u>

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2025

3. Tangible Capital Assets

December 31, 2025	Cost	Accumulated Amortization	Net Book Value
Building	\$ 6,779,740	\$ 1,311,733	\$ 5,468,007
Leasehold improvements	9,538,310	5,350,725	4,187,585
Office equipment	681,458	571,821	109,637
Program equipment	3,095,824	2,523,436	572,388
Computer hardware & software including cloud based software	1,373,010	1,276,442	96,568
Vehicles	992,292	489,909	502,383
	\$ 22,460,634	\$ 11,524,065	\$ 10,936,569

December 31, 2024	Cost	Accumulated Amortization	Net Book Value
Building	\$ 6,063,725	\$ 1,021,641	\$ 5,042,084
Leasehold improvements	7,526,977	4,895,193	2,631,784
Office equipment	668,682	541,053	127,629
Program equipment	2,610,340	2,389,421	220,919
Computer hardware & software including cloud based software	1,312,523	1,187,718	124,806
Vehicles	831,395	363,138	468,257
	\$ 19,013,642	\$ 10,398,164	\$ 8,615,478

Ownership of certain 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. The net book value of tangible capital assets included above that relate to the Kelowna Family YMCA is \$1,521,281 (2024 - \$1,341,772).

Ownership of certain H2O Adventure & Fitness Centre tangible capital assets and furnishings purchased through H2O operations will revert to the City of Kelowna on the termination of the existing contract to operate the H2O Adventure & Fitness Centre facility (note 8) with specific exceptions as outlined in the contract. The net book value of tangible capital assets included above that relate to the H2O Adventure & Fitness Centre is \$5,838 (2024 - \$4,306).

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2025

4. Demand Loans

	2025	2024
Beem Credit Union Loans:		
Repayable in monthly installments of \$3,600 including interest at the lender's prime rate less 0.5%	\$ 346,749	\$ 373,640
Repaid during the year	-	4,468
	346,749	378,108
Scheduled principal repayments in the upcoming year	(30,044)	(29,683)
	\$ 316,705	\$ 348,425

The Beem Credit Union demand loan is secured by a general security agreement, a fixed charge over fitness equipment, and a tripartite agreement between the Association, the City of Kelowna, and Beem Credit Union, with a Solicitor's Letter of Opinion whereby the City of Kelowna will assume the loan obligation in the event of default. The Association also has an operating line of credit with an available limit of \$300,000 (2024 - \$300,000), at the same rate of interest as the demand loan. No amount was drawn on the line of credit as at December 31, 2025 (2024 - \$nil).

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

2026	30,044
2027	31,253
2028	32,479
2029	33,816
2030	35,177

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2025

5. Deferred Contributions

	2025	2024
Deferred contributions - future period expenses		
Balance, beginning of year	\$ 1,763,157	\$ 1,342,203
Contributions received	13,147,235	12,656,150
Amount recognized in revenue	(13,001,915)	(12,235,196)
Balance, end of year	\$ 1,908,477	\$ 1,763,157
Deferred contributions - capital acquisitions		
Balance, beginning of year	\$ 6,240,381	\$ 3,979,225
Contributions received	2,351,632	2,577,475
Amount recognized in revenue	(388,253)	(316,319)
Balance, end of year	\$ 8,203,759	\$ 6,240,381
	\$ 10,112,237	\$ 8,003,538

Deferred future period contributions as at December 31, 2025, include H2O Adventure & Fitness Centre reserve funds to fund future operations. Based on the 2025 operations surplus, the H2O asset management reserve fund balance is at \$100,000 (2024 - \$100,000) and the H2O operating reserve fund is at \$322,997 (2024 - \$284,904) (note 8).

Deferred capital contributions as at December 31, 2025, include unspent capital contributions totaling \$1,465,490 (2024 - \$1,939,713). Unspent capital contributions are included in restricted cash and investments (note 2).

6. Net Assets Invested in Tangible Capital Assets

	2025	2024
Tangible capital assets	\$ 10,936,569	\$ 8,615,478
Less amounts financed by:		
Demand loans	(346,749)	(378,108)
Deferred capital contributions	(6,738,270)	(4,300,668)
	\$ 3,851,550	\$ 3,936,702

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2025

7. Internally Restricted Net Assets

Internally 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) 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.

(c) 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 2025 purchase of service, the 2025 reserve balance is unchanged at \$35,097.

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 2025, these expenditures exceeded the threshold of \$57,816 resulting in no appropriations and leaving the reserve unchanged at \$5,089.

(d) 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.

(e) 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.

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2025

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, 2025

8. City of Kelowna Contracts (continued)

(b) H2O Fitness and Adventure Centre agreement

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"). A new three-year agreement was signed in January 2024 that includes two one-year options to extend. The City owns the H2O Centre facility, including the capital improvements and equipment.

The Association's statement of operations reflects the revenue and expenses from the operation of the H2O Centre. If there is an annual surplus (H2O Centre revenues exceed expenses), the agreement specifies the amount of the annual surplus that the Association is able to retain by requiring that the annual surplus be allocated as follows:

- i) First, to an inflation-adjusted annual recovery of administrative expenses, which amounted to \$555,066 this year (2024 - \$541,000),
- ii) Second, to an annual calculated amount for YMCA Canada Affiliation fees in accordance with the YMCA Canada formula, which amounted to \$69,645 this year (2024 - \$71,274),
- iii) Third, to the H2O Centre reserves, which comprise the program asset management reserve fund and operating reserve fund. An amount up to \$100,000 is allocated to the program asset management reserve fund. This fund must be used for the replacement and improvement of H2O Centre program assets. Amounts are allocated to the operating reserve fund until an amount of no less than 10% of the previous years' annual operating expenditures is attained. The operating reserve fund must be used solely for the purposes of funding future H2O Centre annual deficits. The annual surplus allocated to the program asset management reserve amounted to \$nil (2024 - \$100,000) and the annual surplus allocated to the operating reserve fund amounted to \$38,093 (2024 - \$284,904); and
- iv) Fourth, to a performance fee, which is determined in accordance with the performance matrix and key performance indicators outlined in the agreement.

Any annual surplus remaining after these allocations have been accounted for must be paid to the City. The funds associated with the program asset management reserve fund and the operating reserve fund are required by the City to be held by the Association to fund future operations of the H2O Centre and would be payable to the City in the event that the agreement expired or was terminated. They are therefore recorded as a liability in the statement of financial position, which is included in deferred contributions (note 5). The liability is reduced when the reserves are utilized in accordance with the agreed purpose. The H2O Centre allocation recorded in the statement of operations reflects the annual change in the liability. Any annual deficits of the H2O Centre that are not covered by the operating reserve fund will be the responsibility of the Association.

The agreement can be terminated by either party without cause upon at least twelve (12) months' written notice to the other party.

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2025

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:

2026	\$	799,588
2027		496,916
2028		367,764
2029		266,557
2030		181,454
	\$	2,112,279

(b) Litigation and claims

Management reviews its exposure to any potential litigation for which it would not be covered by insurance and assesses 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 (2024 - \$27,216), which represents a performance bond in favor of The City of Kelowna.

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2025

10. Contributions Revenue

	2025	2024
Operational funding		
Government of Canada	\$ 1,215,767	\$ 762,300
Government of British Columbia	8,948,412	8,322,978
City of Kelowna	1,398,268	1,620,094
Interior Health Authority	46,211	36,112
Contributions from foundations, corporations, not-for-profit organizations, and individuals	662,325	773,445
	12,270,984	11,514,929
Fund development		
British Columbia Community Gaming Grant	225,000	240,000
Government of Canada	33,051	25,702
Contributions from foundations, corporations, not-for-profit organizations, and individuals	2,178,548	1,331,858
	2,436,599	1,597,560
	\$ 14,707,583	\$ 13,112,489

11. Financial Risk and Concentrations of Risk

The Association has exposure to various financial risks and concentrations of risk as a result of its use of financial instruments, as disclosed below. Unless otherwise noted, there were no significant changes to the risk exposure compared with the prior year.

(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, 2025

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 market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

- Currency risk is the risk that the fair value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Association is exposed to this risk on its investments in U.S. and international equities quoted in an active market.
- Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Association is exposed to interest rate risk with respect to investments in fixed income instruments. Interest rate risk was impacted in the 2025 fiscal year by fluctuations in market prices for fixed income investments and by decreases in Canadian interest rates, including prime lending rates for financial institutions.
- Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether these changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Association is exposed to other price risk on its investments in equities quoted in an active market.

(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 \$1,400,000 in a Liquidity Reserve. Liquidity risk was impacted for the 2025 fiscal year through the Association's net surplus 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 (2024 - \$nil).

YMCA OF SOUTHERN INTERIOR BC ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2025

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), these financial statements disclose that:

- The Directors of the Association receive no remuneration for the performance of their responsibilities as Directors.
- For the fiscal year ending 2025, the Association paid total remuneration of \$4,521,350 (2024 - \$3,609,963) to forty-six (2024 – thirty-seven) employees for services, each of whom received total annual remuneration of \$75,000 or greater. Remuneration includes all wages, bonuses, and taxable benefits.