



# Consolidated Financial Statements

YMCA of Simcoe/Muskoka

June 30, 2024

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# Independent Auditor's Report

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To the Members of  
YMCA of Simcoe/Muskoka

## Opinion

We have audited the consolidated financial statements of YMCA of Simcoe/Muskoka (the "Association"), which comprise the consolidated statement of financial position as at June 30, 2024, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Association as at June 30, 2024, 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 Consolidated 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 consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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.

# Independent Auditor's Report (continued)

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

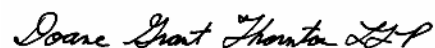
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- ◆ Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ◆ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Association to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Toronto, Canada  
October 30, 2024



Chartered Professional Accountants  
Licensed Public Accountants

# YMCA of Simcoe/Muskoka

## Consolidated Statement of Financial Position

June 30

2024

2023

(in Thousands 000s)

### Assets

#### Current

Cash and cash equivalents (Notes 3 and 7)	\$ 12,227	\$ 25,281
Cash - internally restricted	1,383	1,983
Accounts receivable	1,902	1,622
Government remittances receivable	207	253
Prepaid expenses	311	442
	<u>16,030</u>	<u>29,581</u>
Portfolio investments (Note 4)	13,917	995
Endowment investments (Note 4)	685	685
Tangible capital assets (Note 5)	20,294	15,728
Intangible assets (Note 6)	122	234
	<u>35,018</u>	<u>17,642</u>
<b>Total assets</b>	<b><u>\$ 51,048</u></b>	<b><u>\$ 47,223</u></b>

### Liabilities and Net Assets

#### Current liabilities

Accounts payable and accrued liabilities	\$ 2,327	\$ 2,572
Deferred revenue	4,402	5,538
Current portion of deferred contributions (Note 8)	1,090	1,033
	<u>7,819</u>	<u>9,143</u>
Deferred contributions (Note 8)	13,670	12,639
Asset retirement obligations (Note 13)	1,325	-
Interest free loan (Note 13)	994	-
Reserve fund obligation (Note 13)	47	-
	<u>16,036</u>	<u>12,639</u>
Total liabilities	<u>23,855</u>	<u>21,782</u>
<b>Net assets (Page 5)</b>		
Unrestricted	11,614	23,559
Internally restricted funds	14,894	1,197
Endowment fund	685	685
	<u>27,193</u>	<u>25,441</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 51,048</u></b>	<b><u>\$ 47,223</u></b>

Commitments (Note 9)

On behalf of the Board

*Rob Mauro*

Director

*Robert Reid*

Director

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## YMCA of Simcoe/Muskoka

### Consolidated Statement of Operations

Year ended June 30 (in Thousands 000s)	2024	2023
<b>Revenue</b>		
Child development and family support	\$ 25,610	\$ 22,117
Health wellness community recreation	8,662	7,526
Government programs (Note 10)	6,774	6,973
Camping and youth engagement	3,182	2,566
Philanthropy and Association advancement	1,025	689
Other revenue	1,817	1,459
Amortization of deferred capital contributions (Note 8)	1,090	1,031
	<u>48,160</u>	<u>42,361</u>
<b>Expenses</b>		
Human resources direct costs	28,760	24,677
General and administration expenses	5,530	4,416
Facilities expenses	4,889	4,564
Supplies	4,752	4,769
Amortization of tangible capital assets and intangible assets	1,768	1,477
Other expenses	538	423
	<u>46,237</u>	<u>40,326</u>
Excess of revenue over expenses before other items	1,923	2,035
(Loss) on sale of capital assets	<u>(171)</u>	<u>(41)</u>
Excess of revenue over expenses	<u>\$ 1,752</u>	<u>\$ 1,994</u>

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## YMCA of Simcoe/Muskoka

### Consolidated Statement of Changes in Net Assets

Year ended June 30  
(in Thousands 000s)

	Unrestricted	Internally restricted funds	Endowment fund	2024	2023
Balance, beginning of year	\$ 23,559	\$ 1,197	\$ 685	\$ 25,441	\$ 23,447
Excess (deficiency) of revenue over expenses	1,752	-	-	1,752	-
Interfund transfers	(13,697)	13,697	-	-	1,994
Balance, end of year	\$ 11,614	\$ 14,894	\$ 685	\$ 27,193	\$ 25,441

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# YMCA of Simcoe/Muskoka

## Consolidated Statement of Cash Flows

Year ended June 30  
(in Thousands 000s)

2024

2023

### Operating

Excess of revenue over expenses	\$ 1,752	\$ 1,994
Adjustments for		
Amortization of deferred capital contributions	(1,090)	(1,031)
Amortization of tangible capital assets and intangible assets	1,768	1,478
Interest accretion on asset retirement obligation	96	-
	<u>2,526</u>	<u>2,441</u>

### Change in non-cash working capital items

Accounts receivable	(280)	(759)
Government remittances payable	46	(741)
Prepaid expenses	131	(425)
Accounts payable and accrued liabilities	(245)	969
Deferred revenue	(1,136)	2,255
	<u>(1,484)</u>	<u>1,299</u>
	<u>1,042</u>	<u>3,740</u>

### Investing

Additions to tangible capital assets	(6,199)	(1,187)
Additions to intangible assets	(23)	(167)
Change in portfolio investments	(12,922)	(92)
Decrease/increase in deferred contributions	2,178	134
	<u>(16,966)</u>	<u>(1,312)</u>

### Financing

Recognition of asset retirement obligation	1,229	-
Recognition of interest free loan	994	-
Recognition of reserve fund obligation	47	-
	<u>2,270</u>	<u>-</u>

Increase (decrease) in cash	(13,654)	2,428
Cash and cash equivalents, beginning of year	<u>27,264</u>	<u>24,836</u>
Cash and cash equivalents, end of year	<u>\$ 13,610</u>	<u>\$ 27,264</u>

### Cash and cash equivalents consists of:

Cash and cash equivalent - internally restricted	\$ 1,383	\$ 1,983
Cash and cash equivalent - unrestricted	<u>12,227</u>	<u>25,281</u>
	<u>\$ 13,610</u>	<u>\$ 27,264</u>



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# **YMCA of Simcoe/Muskoka**

## **Notes to the Consolidated Financial Statements**

Year ended June 30, 2024  
(in Thousands 000s)

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### **1. Nature of Association**

The YMCA of Simcoe/Muskoka (the "Association") is a charitable, community-driven organization focused on building vibrant and connected communities where everyone belongs. With the dedication of our staff and volunteers, we offer a wide range of services that spark personal growth, foster inclusion, and strengthen community ties. The Association connects people to meaningful experiences and to each other, ensuring that everyone has the chance to shine and make a positive impact in their community.

The Association is a registered charity under the Income Tax Act (Canada) and incorporated without share capital under the Corporations Act (Ontario).

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### **2. Significant accounting policies**

#### **Basis of preparation**

The Association has adopted the Canadian accounting standards for not-for-profit organizations (ASNPO) and are in accordance with Canadian generally accepted accounting principles (GAAP).

#### **Basis of consolidation**

The consolidated financial statements include the accounts of the Association and its wholly owned subsidiary, 2410518 Ontario Limited. The subsidiary's purpose is to make investments on behalf of the Association. It was incorporated on March 12, 2014 under the laws of Ontario and is subject to corporate income tax.

#### **Use of estimates**

The preparation of consolidated financial statements in accordance with ASNPO requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenditures during the reporting period. These estimates include, among others, the allowance for doubtful accounts, the useful lives of tangible capital and intangible assets, the determination of accruals and the asset retirement obligations. Actual results could differ from management's best estimates as additional information becomes available in the future.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash and short-term highly liquid investments which are readily convertible into a known amount of cash, and are subject to an insignificant risk to changes in their fair value.

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# YMCA of Simcoe/Muskoka

## Notes to the Consolidated Financial Statements

Year ended June 30, 2024  
(in Thousands 000s)

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### 2. Significant accounting policies (continued)

#### Tangible capital assets

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Betterments which extend the estimated life of an asset are capitalized. Construction in progress represents the costs capitalized for site developments that are not available for use in the current period. Amortization is provided on assets placed into use on a straight-line basis over their estimated useful lives as follows:

Building and site improvements	Straight-line	25 years
Program equipment	Straight-line	3 years
Furnishings and equipment	Straight-line	5 years
Leasehold improvements	Straight-line	Term of the lease
Computer hardware	Straight-line	3 years
Construction in progress	Unamortized until available for use	

When conditions indicate that a tangible capital asset no longer contributes to the Association's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the tangible capital assets are less than their net carrying amounts, the tangible capital asset will be written down to fair value or replacement cost to reflect partial impairments. An impairment loss is not reversed if the fair value of the tangible capital asset subsequently increases.

#### Intangible assets

Intangible assets consist of externally purchased programs and are stated at cost. Amortization is provided on a straight-line basis over their estimated useful service lives of 3 years.

Intangible assets are written down to fair value or replacement cost when conditions indicate that an intangible asset no longer contributes to the Association's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the intangible assets are less than their net carrying amounts. An impairment loss is not reversed if the fair value of the intangible asset subsequently increases.

#### Pension plan

The Association contributes to the Canadian YMCA Retirement Fund, a multi-employer defined contribution pension plan. Contributions are recorded in the period in which the Association is obligated to make contributions for services rendered by employees.

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# YMCA of Simcoe/Muskoka

## Notes to the Consolidated Financial Statements

Year ended June 30, 2024  
(in Thousands 000s)

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### 2. Significant accounting policies (continued)

#### Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset that the Association will be required to settle. The Association recognizes asset retirement obligations in the period the agreement obligating the Association comes into effect if management can make a reasonable estimate of the obligation. When management is unable to make a reasonable estimate, a liability is only recognized once a reasonable estimate can be made.

Asset retirement obligations are initially measured at the best estimate of the expenditure required to settle the present obligation at the consolidated statement of financial position date. Asset retirement obligations are recorded as liabilities with a corresponding increase to the carrying amount of the associated tangible capital assets. Subsequently, the asset retirement costs are allocated to expenses to the extent of the liability recorded. The obligation is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and for revisions to either the timing or the amount of the original estimate of the undiscounted cash flows or the discount rate.

#### Net assets

The unrestricted net assets of the Association represents program delivery and administrative activities not otherwise restricted or endowed.

The internally restricted net assets represents a segregated fund designated by the Board to fund specific projects that enrich the programs of the Association. Internally restricted net assets are not available for other purposes without the approval of the Board.

The endowment net assets represents amounts received for which the principal portion is to be held in perpetuity.

#### Financial instruments

The Association considers any contract that creates a financial asset, a financial liability or equity instrument as a financial instrument, except in limited cases such as leases and loan commitments. The Association accounts for the following as financial instruments: Cash and cash equivalents, accounts receivable, investments, accounts payable, interest free loan and reserve fund obligation.

#### Initial recognition and measurement

Financial assets or liabilities 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.

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# **YMCA of Simcoe/Muskoka**

## **Notes to the Consolidated Financial Statements**

Year ended June 30, 2024  
(in Thousands 000s)

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### Subsequent measurement

The Association subsequently measures all of its financial assets and financial liabilities at cost or amortized cost less any reduction for impairment, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

### Derecognition

The Association removes financial liabilities, or a portion thereof, when the obligation is discharged, cancelled or expires.

### Impairment

A financial asset (or group of similar financial assets) measured at cost or amortized cost are tested for impairment when there are indicators of impairment. Impairment losses are recognized in the statement of operations. 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 in the year the reversal occurs.

### **Revenue recognition**

The Association follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Unrestricted contributions include: contributions from members, participants and agencies and fundraising.

Externally restricted contributions are recognized as revenue in the year in which the related restrictions are met. Contributions restricted for the purchase of tangible capital assets excluding land are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related tangible capital assets. Externally restricted contributions for land are recorded as a direct increase in unrestricted net assets. Externally restricted contributions for the repayment of debt are deferred and amortized in the same manner as the related tangible capital asset is amortized to expense. Externally restricted contributions that have not been expended are recorded as part of deferred contributions on the consolidated statement of financial position.

Endowments are recognized as a direct increase in net assets in the year received.

Child care and membership fees are recognized as revenue as the services are provided. Interest income, sales and other income are recognized when earned.

Where the Association has an obligation to provide ongoing services, revenues are recognized as the service is performed. Any amounts received in advance are recognized as deferred revenue until the period in which the services have been performed.

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# YMCA of Simcoe/Muskoka

## Notes to the Consolidated Financial Statements

Year ended June 30, 2024  
(in Thousands 000s)

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### 2. Significant accounting policies (continued)

#### Contributed services

The Association is dependent on the voluntary services of many individuals. Since these services are not normally purchased by the Association and because of the difficulty in estimating their fair market value, these services are not recognized in these consolidated financial statements.

#### Contributed materials

The Association has not recognized contributed materials in these consolidated financial statements as these materials are not normally purchased and because of the difficulty in estimating their fair market value.

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### 3. Cash and cash equivalents

	<u>2024</u>	<u>2023</u>
Guaranteed investment certificates	\$ 12,000	\$ 23,500
Cash	<u>227</u>	<u>1,781</u>
	<u>\$ 12,227</u>	<u>\$ 25,281</u>

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### 4. Portfolio and endowment investments

	<u>2024</u> <u>Fair value</u>	<u>2023</u> <u>Fair value</u>
Cash	\$ 180	\$ 828
Common shares	7,214	400
Fixed income	4,382	-
Mutual funds	<u>2,826</u>	<u>452</u>
	<u>\$ 14,602</u>	<u>\$ 1,680</u>

Investments held by the Association are designated as follows:

	<u>2024</u>	<u>2023</u>
Endowment funds	\$ 685	\$ 685
Deferred contributions	405	102
Internally restricted	14,895	956
Less: internally restricted cash	<u>(1,383)</u>	<u>(63)</u>
	<u>\$ 14,602</u>	<u>\$ 1,680</u>

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# YMCA of Simcoe/Muskoka

## Notes to the Consolidated Financial Statements

Year ended June 30, 2024  
(in Thousands 000s)

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#### 4. Portfolio and endowment investments (continued)

Endowment funds are externally restricted, and any investment returns on these funds are recorded as deferred contributions and restricted for the intended use in which the endowment contribution was made. The principal balance of endowment funds is recognized separately by the Association in net assets (Page 5).

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#### 5. Tangible capital assets

	Cost	Accumulated Amortization	<b>2024 Net Book Value</b>	2023 Net Book Value
Land	\$ 308	\$ -	\$ 308	\$ 308
Building and site improvements	20,010	8,324	11,686	7,146
Program equipment	103	39	64	103
Furnishings and equipment	93	48	45	16
Leasehold improvements	16,377	10,174	6,203	6,918
Computer hardware	732	525	207	217
Construction in process	1,781	-	1,781	1,020
	<u>\$ 39,404</u>	<u>\$ 19,110</u>	<u>\$ 20,294</u>	<u>\$ 15,728</u>

During the year, the Association purchased tangible capital assets in the amount of \$3,235 (2023 - \$1,187).

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#### 6. Intangible assets

	Cost	Accumulated Amortization	<b>2024 Net Book Value</b>	2023 Net Book Value
Program	\$ 620	\$ 498	\$ 122	\$ 234

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# YMCA of Simcoe/Muskoka

## Notes to the Consolidated Financial Statements

Year ended June 30, 2024  
(in Thousands 000s)

### 7. Credit facilities

The Association has a revolving demand facility with the Royal Bank of Canada. The bank loan bears interest at the bank's prime rate plus 0.25%, calculated and payable monthly. The total credit available is \$2,000 (2023 - \$2,000). Unused credit facilities at June 30, 2024 amounted to \$2,000 (2023 - \$2,000).

The Association has a \$300 line of credit available for lease financing of facility equipment. As at year end, this line of credit has not been drawn upon.

The Association has a \$200 (2023 - \$200) limit on Association credit cards.

The banking agreement that covers these loans is secured by a general security agreement constituting a first ranking security interest on all property of the Association, as well as a cash collateral agreement on guaranteed investment certificates in the amount of \$2,500.

### 8. Deferred contributions

	<u>2024</u>	<u>2023</u>
Deferred contributions related to capital assets	\$ 12,155	\$ 13,070
Deferred contributions	1,785	602
Deferred contributions related to interest free loan (Note 13)	<u>820</u>	<u>-</u>
Total deferred contributions	14,760	13,672
Less current portion of deferred contributions	<u>(1,090)</u>	<u>(1,033)</u>
Non current deferred contributions	<u>\$ 13,670</u>	<u>\$ 12,639</u>
<b>Deferred capital contributions related to tangible capital assets</b>		
Balance, beginning of year	\$ 13,070	\$ 14,052
Additional contributions received	116	49
Amounts amortized to revenue	<u>(1,031)</u>	<u>(1,031)</u>
	<u>\$ 12,155</u>	<u>\$ 13,070</u>
<b>Deferred capital contributions related to interest free loan (Note 13)</b>		
Balance, beginning of year	\$ -	\$ -
Additional contributions received	879	-
Amount recognized as revenue	<u>(59)</u>	<u>-</u>
	<u>\$ 820</u>	<u>\$ -</u>

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# YMCA of Simcoe/Muskoka

## Notes to the Consolidated Financial Statements

Year ended June 30, 2024  
(in Thousands 000s)

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### 8. Deferred contributions (continued)

	<u>2024</u>	<u>2023</u>
<b>Deferred contributions</b>		
<p>This balance represents the unexpended amounts of donations that have been received where the donor has specified that the amounts be used for designated purposes. The determination of the timing and the amount of these payments for designated purposes are at the discretion of the Board.</p>		
	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 602	\$ 517
Additional contributions received	2,041	1,494
Amounts recognized as revenue	<u>(858)</u>	<u>(1,409)</u>
	<u>\$ 1,785</u>	<u>\$ 602</u>

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### 9. Commitments

The Association has obligations under long-term leases for certain premises and office equipment and with respect to its asset retirement obligations, interest free loan and reserve fund (Note 13). Future minimum payments over the next four years are as follows:

2025	\$ 969
2026	815
2027	746
2028	745
Thereafter	<u>3,858</u>
	<u>\$ 7,133</u>

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# YMCA of Simcoe/Muskoka

## Notes to the Consolidated Financial Statements

Year ended June 30, 2024  
(in Thousands 000s)

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### 10. Government program revenue

Government programs consist of:

	<u>2024</u>	<u>2023</u>
Newcomer Services	\$ 1,659	\$ 1,113
Employment Services	3,263	3,387
Youth Services	1,808	2,473
Other	44	-
	<u>\$ 6,774</u>	<u>\$ 6,973</u>

Childcare from Governments (included in Child development and family support revenue) includes:

	<u>2024</u>	<u>2023</u>
County of Simcoe	\$ 6,874	\$ 5,047
District of Muskoka	-	19
District of Parry Sound	126	94

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### 11. Pension plan

Amounts paid to the Canadian YMCA Retirement Fund by the Association during the year totaled:

	<u>2024</u>	<u>2023</u>
By employees	\$ 727	\$ 670
By employer	723	665
	<u>\$ 1,450</u>	<u>\$ 1,335</u>

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### 12. Financial instruments

Transactions in financial instruments may result in the Association assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of the financial statements in assessing the extent of risk related to financial instruments.

#### (a) Credit risk

Credit risk is the risk that a counterparty will fail to discharge its obligations.

The Association has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The main source of credit risk to the Association is considered to relate to its accounts receivable, and much of the amount is due from the government.

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# YMCA of Simcoe/Muskoka

## Notes to the Consolidated Financial Statements

Year ended June 30, 2024  
(in Thousands 000s)

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### 12. Financial instruments (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.

The Association manages this risk by investing in a diversified portfolio.

#### (c) Interest rate risk

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 has an operating demand loan which bear interest at a variable rate and as a result, is subject to interest rate risk through fluctuations in the bank's prime interest rate.

#### (d) Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting the obligations associated with its financial liabilities.

The Association reduces its exposure to liquidity risk by monitoring its cash flows and ensuring it has appropriate financing in place.

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### 13. Asset retirement obligations

During the year, the Association signed a new lease agreement for a shared facility. The lease includes provisions for future shared costs related to repairs and replacements of the property. The specific obligation of the Association for these amounts represents an asset retirement obligation and includes the payment of \$2,246 over the term of the lease. A portion of the funds are to be retained within a reserve capital fund and the remainder are to be paid to the lessee.

The reserve fund is required to be used by the Association to fund direct repairs and replacements to the property as identified in the agreement. In the event that the lease agreement is terminated prior to the end of the lease term then the amount reserved reverts to the lessor.

As the payments required by the lease agreement will be made in the future, the obligation for the Association at the time the lease came into effect is \$1,371 representing the present value of the monthly amounts to be paid, discounted using the current market risk-free rate of interest of 7%. The recognition of this obligation also results in an addition to property and equipment of a similar amount. The value of the obligation will be accreted (increased) by the monthly interest charge and reduced by payments made by the Association. The addition to property and equipment will be amortized over the lease term of 15 years.

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# YMCA of Simcoe/Muskoka

## Notes to the Consolidated Financial Statements

Year ended June 30, 2024  
(in Thousands 000s)

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### 13. Asset retirement obligations (continued)

	<u>2024</u>
Asset retirement obligation	\$ 2,246
Less present value discount	<u>(875)</u>
Present value obligation as at the time the lease came into effect	1,371
Less payments	(75)
Add interest accretion	<u>49</u>
Present value obligation as at June 30, 2024	<u>\$ 1,345</u>
Represented by:	
Asset retirement obligation	\$ 1,325
Reserve fund obligation	<u>20</u>
Present value obligation as at June 30, 2024	<u>\$ 1,345</u>

The Association also had an obligation related to the original lease agreement with the lessor. The undiscounted obligation related to the original lease was \$1,915 which was determined as part of the new lease agreement above.

As part of the new lease, the lessee has provided the Association an interest free loan to finance this obligation over the term of the new lease agreement. As the payments related to the interest free loan will be made in the future, the loan's value when the new lease came into effect was \$1,037 representing the present value of the monthly amounts to be paid discounted using the current market rate of interest of 9%. The value of the loan will be accreted (increased) by the monthly interest charge and reduced by payments made by the Association. The difference of \$878 between the total undiscounted and discounted payments is being deferred and recognized into income as a contribution from the lessor over the term of the loan.

The Association has also recognized a leasehold improvement of \$1,915 which will be amortized over the term of the interest free loan.

	<u>2024</u>
Present value of interest free loan at the time the lease came into effect	\$ 1,037
Less payments	(64)
Add interest accretion	<u>47</u>
Present value of interest free loan as at June 30, 2034	<u>\$ 1,021</u>
Represented by:	
Interest free loan	\$ 994
Reserve fund obligation	<u>26</u>
Present value of interest free loan as at June 30, 2034	<u>\$ 1,021</u>

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# **YMCA of Simcoe/Muskoka**

## **Notes to the Consolidated Financial Statements**

Year ended June 30, 2024  
(in Thousands 000s)

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### **14. Comparative figures**

The consolidated financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

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