

Financial Statements

Board of Management for the
Waterfront Neighbourhood Centre

December 31, 2025

Contents

	Page
Independent Auditor's Report	1 - 3
Statement of Financial Position	4
Statement of Changes in Net Assets	5
Statement of Operations	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 17

Management’s responsibility for the financial statements

The financial statements of the Board of Management for the Waterfront Neighborhood Centre (the "Centre") are the responsibility of management and have been approved by the Board.

The financial statements have been prepared in compliance with the Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to the financial statements.

The preparation of the financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Centre's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Board of Management is responsible for ensuring that management fulfills its responsibilities for financial reporting. The Board reviews the Centre's financial statements and discusses any significant financial reporting or internal control matters prior to the approval of the financial statements.

The financial statements have been audited by Doane Grant Thornton LLP, independent external auditors appointed by the City of Toronto's City Council, in accordance with Canadian generally accepted auditing standards. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Centre's financial statements.



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Chairperson

Signed by:



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Treasurer

Independent Auditor's Report

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To the Council of the Corporation of the City of Toronto and the Board of Management for the Waterfront Neighbourhood Centre

Qualified Opinion

We have audited the accompanying financial statements of Board of Management for the Waterfront Neighbourhood Centre (the "Centre"), 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Centre as at December 31, 2025 and results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Centre derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Centre. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess (deficiency) of revenue over expenses and cash flows from operations for the year ended December 31, 2025 and December 31, 2024, current assets as at December 31, 2025, and December 31, 2024 and net assets at January 1, and December 31 for both the 2025 and 2024 years. Our audit opinion on the financial statements for the year ended December 31, 2024 was modified accordingly because of the possible effects of this limitation in scope.

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 Centre 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 qualified audit 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 public sector accounting standards for government 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 Centre's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Centre or to cease operations, or has no realistic alternative but to do so.

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

Doane Grant Thornton LLP

Toronto, Canada
June 5, 2026

Chartered Professional Accountants
Licensed Public Accountants

Board of Management for the Waterfront Neighbourhood Centre Statement of Financial Position

December 31

2025

2024

Assets**Current**

Cash	\$ 177,785	\$ 147,684
Investments (Note 3)	1,217,696	1,180,343
Accounts receivable	19,396	47,950
Prepaid expenses	-	1,917
Due from City of Toronto (Note 4)	66,148	65,613
Due from Waterfront Neighbourhood Centre Charitable Fund (Note 8)	27,900	18,500
	<u>1,508,925</u>	<u>1,462,007</u>

Due from City of Toronto (Note 5)	767,353	758,293
Tangible capital assets (Note 6)	<u>42,776</u>	<u>30,260</u>

\$ 2,319,054 **\$ 2,250,560**

Liabilities**Current**

Accounts payable and accrued liabilities	\$ 171,657	\$ 147,267
Deferred contributions (Note 7)	<u>54,167</u>	<u>27,561</u>
	<u>225,824</u>	<u>174,828</u>

Deferred capital contributions (Note 9)	383,896	430,260
Post-employment benefits liability (Note 5)	<u>767,353</u>	<u>758,293</u>
	<u>1,377,073</u>	<u>1,363,381</u>

Net assets

Internally restricted – program fund reserves (Note 10)	630,262	378,370
Unrestricted funds – program administrative funds (Note 11)	<u>311,719</u>	<u>508,809</u>

941,981 **887,179**

\$ 2,319,054 **\$ 2,250,560**

Approved by the Board:

DocuSigned by:

Lianne Jeffs

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Signed by:

Carole Theriault

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Chair

Treasurer

See accompanying notes to the financial statements.

Board of Management for the Waterfront Neighbourhood Centre Statement of Change in Net Assets

Year ended December 31

	Internally restricted - program fund reserve	Unrestricted fund	Total 2025	Total 2024
Net assets, beginning of year	\$ 378,370	\$ 508,809	\$ 887,179	\$ 851,371
Interfund transfers (Note 10)	251,892	(251,892)	-	-
Excess of revenue over expenses	-	54,802	54,802	35,808
Net assets, end of year	\$ 630,262	\$ 311,719	\$ 941,981	\$ 887,179

See accompanying notes to the financial statements.

Board of Management for the Waterfront Neighbourhood Centre Statement of Operations

Year ended December 31

	<u>Program</u>	<u>Administration</u>	<u>2025</u>	<u>2024</u>
Revenue				
City of Toronto				
Administration (Note 4)	\$ -	\$ 1,998,294	\$ 1,998,294	\$ 1,661,731
Section 37 funding (Note 4)	-	58,880	58,880	-
Post-employment benefits funding (Note 4)	-	9,060	9,060	10,120
Grants				
City of Toronto	200,504	-	200,504	149,790
Government of Canada	131,893	-	131,893	147,681
Province of Ontario	56,560	-	56,560	69,479
City of Toronto – Children's Services	55,693	-	55,693	50,535
Foundations/agencies	2,750	-	2,750	5,290
Donations and fundraising	80,381	-	80,381	82,363
Membership and program fees	161,148	-	161,148	160,478
Rental fees	109,475	-	109,475	128,694
Interest	42,047	-	42,047	50,226
Amortization of deferred capital contributions	-	12,383	12,383	11,787
	<u>840,451</u>	<u>2,078,617</u>	<u>2,919,068</u>	<u>2,528,174</u>
Expenses				
Salaries and wages	449,949	1,181,193	1,631,142	1,596,243
Employee benefits	56,198	308,396	364,594	370,311
Employee benefits – post-employment benefits	-	9,060	9,060	10,120
Materials and supplies	258,913	155,601	414,514	262,015
Purchase of services	19,006	411,984	430,990	290,150
Bad debt expense	1,583	-	1,583	-
Amortization of tangible capital assets	-	12,383	12,383	11,787
	<u>785,649</u>	<u>2,078,617</u>	<u>2,864,266</u>	<u>2,540,626</u>
Operating surplus (deficit)	54,802	-	54,802	(12,452)
Net deficit recoverable from City of Toronto	-	-	-	48,260
Excess of revenue over expenses	<u>\$ 54,802</u>	<u>\$ -</u>	<u>\$ 54,802</u>	<u>\$ 35,808</u>

See accompanying notes to the financial statements.

Board of Management for the Waterfront Neighbourhood Centre Statement of Cash Flows

Year ended December 31

2025

2024

Increase (decrease) in cash

Operating

Excess of revenue over expenses	\$ 54,802	\$ 35,808
Change in non-cash working capital items		
Amortization of tangible capital assets	12,383	11,787
Amortization of deferred capital contributions	(12,383)	(11,787)
Post-employment benefits liability	9,060	10,120
Accrued interest income	(13,872)	(23,133)
	<u>49,990</u>	<u>22,795</u>

Changes in non-cash working capital items

Accounts receivable	(28,554)	(7,642)
Prepaid expenses	(1,917)	(496)
Due from Waterfront Neighbourhood Centre Charitable Fund	(9,400)	(18,500)
Due from City of Toronto	(535)	(48,260)
Accounts payable and accrued liabilities	24,634	5,089
Deferred revenue	-	(24,778)
Deferred contributions	26,606	(63,862)
	<u>60,824</u>	<u>(135,654)</u>

Investing activities

Purchase of investments	(683,505)	(833,149)
Proceeds from sale of investments	661,842	307,453
	<u>(21,663)</u>	<u>(525,696)</u>

Financing activities

Long-term amount due from City of Toronto	(9,060)	(10,120)
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Capital activities

Purchase of tangible capital assets	(24,899)	(38,482)
Deferred capital contributions received	24,899	38,482
	<u>-</u>	<u>-</u>

Increase (decrease) in cash 30,101 (671,470)

Cash, beginning of year 147,684 819,154

Cash, end of year \$ 177,785 \$ 147,684

See accompanying notes to the financial statements.

Board of Management for the Waterfront Neighbourhood Centre Notes to the Financial Statements

December 31, 2025

1. Nature of operations

The City of Toronto Act, 1997 continued the provisions of By-law No. 1995 – 0448 dated June 26, 1995 to reflect Chapter 25, Community and Recreation Centres of the Corporation of the City of Toronto Municipal Code. Chapter 25 amended all previous by-laws and established part of the premises at 627 Queens Quay West, Toronto, as a community recreation centre under the authority of the Municipal Act, known as Waterfront Neighbourhood Centre (the “Centre”). The Centre changed its name from Harbourfront Community Centre as approved by City Council in May 2016. The Centre is a not-for-profit organization and, as such, is exempt from income tax.

The Municipal Code provides for a Council appointed Board of Management (the “Board”) which, among other matters, shall:

- a) endeavour to manage and control the premises in a reasonable and efficient manner, in accordance with standard good business practices, and
- b) pay to the City of Toronto (the “City”) any excess of administration expenditure funds provided by the City in accordance with its approved annual budget, but may retain any surplus from program activities.

2. Significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations (“PSAS-GNPO”), including the 4200 series of standards, as issued by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada.

Revenue recognition

The Centre follows the deferral method of accounting for contributions. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized and recorded as part of deferred contributions on the statement of financial position. Externally restricted contributions for depreciable tangible capital assets are deferred and amortized over the life of the related tangible capital assets. Externally restricted contributions for tangible capital assets that have not been expended are recorded as part of deferred capital contribution on the statement of financial position.

Membership and program fees are recognized on the date the services are performed. Amounts received in advance of services being provided are classified as deferred revenue on the statement of financial position.

Rental and similar revenues are recognized on the date of the performance or event.

Board of Management for the Waterfront Neighbourhood Centre Notes to the Financial Statements

December 31, 2025

2. Significant accounting policies (continued)

Investments

Investments include demand deposits and short-term investments with maturities of less than twelve months at acquisition.

Financial instruments

The Centre initially measures its financial assets and financial liabilities at fair value.

The Centre subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, investments, accounts receivable, due from City of Toronto and due from Waterfront Neighbourhood Centre Charitable Fund. Financial liabilities measured at amortized cost include accounts payable and due to City of Toronto.

Contributed material and services

Because of the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements.

Tangible capital assets

Tangible capital assets are recorded at cost and contributed tangible capital assets are recorded at fair value at the date of contribution. For furniture and equipment, amortization is provided on a straight-line basis over their estimated useful lives of 5 years.

Employee related costs

The Centre has adopted the following policies with respect to employee benefit plans:

- a) The City offers a multi-employer defined benefit pension plan to the Centre's employees. Due to the nature of the Plan, the Centre does not have sufficient information to account for the Plan as a defined benefit plan; therefore, the multi-employer defined benefit pension plan is accounted for in the same manner as a defined contribution plan. An expense is recorded in the period in which contributions are made.
- b) The Centre also offers its employees a defined benefit sick leave plan, a post-retirement life, health and dental plan, a long-term disability plan and continuation of health, dental and life insurance benefits to disabled employees. The accrued benefit obligations are determined using an actuarial valuation based on the projected benefit method prorated on service, incorporating management's best estimate of future salary levels, inflation, sick day usage estimates, ages of employees and other actuarial factors.

Board of Management for the Waterfront Neighbourhood Centre Notes to the Financial Statements

December 31, 2025

2. Significant accounting policies (continued)

Employee related costs (continued)

Net actuarial gains and losses that arise are amortized over the expected average remaining service life of the employee group.

The Centre recognizes an accrued benefit liability on the statement of financial position, which is the net of the amount of the accrued benefit obligations and the unamortized actuarial gains/ losses.

Use of estimates

The preparation of financial statements in accordance with PSAS-GNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes accounting estimates when determining significant accrued liabilities, the post-employment benefits liabilities and the related costs charged to the statement of operations. Actual results could differ from those estimates, the impact of which would be recorded in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

3. Investments

The Centre's investment portfolio consists of the following:

	<u>2025</u>	<u>2024</u>
Money market funds	\$ 520,319	\$ 507,210
Guaranteed investment certificates (GICs)	<u>697,377</u>	<u>673,133</u>
	<u>\$ 1,217,696</u>	<u>\$ 1,180,343</u>

Investments include six GICs (2024 – two GICs) with interest rates ranging from 3.48% to 3.54% (2024 – 5.15% to 5.17%) with maturity dates ranging from June 2026 to June 2028 (2024 – April 2025).

Board of Management for the Waterfront Neighbourhood Centre Notes to the Financial Statements

December 31, 2025

4. Funds provided by the City of Toronto – Administration

Funding for administration expenses is provided by the City according to Council approved budgets. Surplus amounts in administration are payable to the City. Deficits, other than long-term employee benefits, are to be funded by the Centre unless Council approval has been obtained for additional funding.

	Approved Budget 2025 (unaudited)	2025	2024
Administration expenses			
Salaries and wages	\$ 1,219,082	\$ 1,181,193	\$ 1,033,347
Employee benefits	352,824	308,396	307,227
Employee benefits – post-employment benefits	-	9,060	10,120
Materials and supplies	63,028	155,601	90,257
Purchase of services	350,130	411,984	279,160
Amortization of tangible capital assets	-	12,383	11,787
	<u>\$ 1,985,064</u>	<u>\$ 2,078,617</u>	<u>\$ 1,731,898</u>
Centre's actual administration revenue			
Administration budget		\$ 1,985,064	\$ 1,661,731
Council amendment		13,230	-
Section 37 revenue		58,880	-
		<u>2,057,174</u>	<u>1,661,731</u>
Centre's actual administration expenses			
Administration expenses		2,078,617	1,731,898
Adjustments for:			
Amortization of deferred capital contributions		(12,383)	(11,787)
Post-employment benefits, not funded by the City until paid, that are included in long-term receivable - City of Toronto		(9,060)	(10,120)
		<u>2,057,174</u>	<u>1,709,991</u>
Administration expenses over approved budget		<u>\$ -</u>	<u>\$ (48,260)</u>

Board of Management for the Waterfront Neighbourhood Centre Notes to the Financial Statements

December 31, 2025

4. Funds provided by the City of Toronto – Administration (continued)

The over expenditure of \$Nil (2024 - \$48,260) is recorded in due from City of Toronto.

Due from City of Toronto balance is comprised of:

	<u>2025</u>	<u>2024</u>
2022 surplus payable	\$ -	\$ (99)
2024 deficit receivable	48,260	48,260
Vacation payable	17,452	17,452
December 2025 LTD receivable	<u>436</u>	<u>-</u>
	<u>\$ 66,148</u>	<u>\$ 65,613</u>

5. Post-employment benefits payable and long-term amount due from /to the City of Toronto

The Centre participates in a number of defined benefit plans provided by the City including pension, other retirement and post-employment benefits to its employees. Under the sick leave plan for management staff with ten years of service as of April 1, 2003, unused sick leave accumulated until March 1, 2008 and eligible employees may be entitled to a cash payment upon leaving the Centre's employment. The liability for these accumulated days represents the extent to which they have vested and could be taken in cash by the employee upon termination, retirement or death.

The Centre also provides health, dental, life insurance, accidental death and long-term disability benefits to eligible employees. Depending upon the length of service and an individual's election, management retirees are covered either by the former City of Toronto retirement benefit plan or by the current retirement benefit plan.

Due to the complexities in valuing the benefit plans, actuarial valuations are conducted on a periodic basis. The most recent actuarial valuation was completed as at December 31, 2025. Assumptions used to project the accrued benefit obligation were as follows:

- long-term inflation rate - 2.0%
- assumed health care cost trends - range from 3.0% to 6.0%
- discount rates - post-retirement 4.4%, post-employment 4.0%, sick leave 4.1%

Board of Management for the Waterfront Neighbourhood Centre Notes to the Financial Statements

December 31, 2025

5. Post-employment benefits payable and long-term amount due from /to the City of Toronto (continued)

Information about the Centre's employment benefits, other than the multi-employer, defined benefit pension plan noted below, is as follows:

	<u>2025</u>	<u>2024</u>
Post retirement benefits	\$ 207,971	\$ 202,512
Post employment income benefits	255,024	289,256
Continuation of benefits to disabled employees	<u>107,767</u>	<u>119,924</u>
	<u>570,762</u>	611,692
 Add: Unamortized actuarial gain	 <u>196,591</u>	 <u>146,601</u>
 Employee benefit liability	 <u>\$ 767,353</u>	 <u>\$ 758,293</u>
 The continuity of the accrued benefit obligation is as follows:	 <u>2025</u>	 <u>2024</u>
Balance, beginning of year	\$ 758,293	\$ 748,173
Current service cost	8,179	7,712
Interest cost	23,342	25,488
Amortization of actuarial gains and losses	43,262	42,584
Benefits paid	<u>(65,723)</u>	<u>(65,664)</u>
 Balance, end of year	 <u>\$ 767,353</u>	 <u>\$ 758,293</u>

A long-term receivable from the city of \$767,353 (2024 - \$758,293) has resulted from the recording of post-retirement benefits, post employment income benefits and continuation of benefits to disabled employees. Funding for these costs continues to be provided by the City as benefit costs are paid and the City continues to be responsible for the benefit liabilities of administrative staff that may be incurred by the Centre.

The Centre also makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of most of its eligible employees. The OMERS plan (the "Plan") is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employer contributions to this pension plan amounted to \$107,579 in 2025 (2024 - \$93,458).

The most recent actuarial valuation of the Plan as at December 31, 2025 indicates the Plan is in a deficit position and the Plan's December 31, 2025 financial statements indicate a net deficit of \$6,127 million (a deficit of \$1,322 million plus adjustment of \$4,805 million of unrecognized investment returns above or below the discount rate that is being smoothed and recognized over a five-year period). The Plan's management is monitoring the adequacy of the contributions to ensure that future contributions together with the Plan's assets and future investment earnings will be sufficient to provide for all future benefits. At this time, the Centre's contributions accounted for an insignificant portion of the Plan's total employer contributions. Additional contributions, if any, required to address the Centre's proportionate share of the deficit will be expensed during the period incurred.

Board of Management for the Waterfront Neighbourhood Centre Notes to the Financial Statements

December 31, 2025

6. Tangible capital assets

			<u>2025</u>	<u>2024</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Administration - furniture fixtures and equipment	\$ 266,780	\$ 224,004	\$ 42,776	\$ 30,260

7. Deferred contributions

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$ 27,561	\$ 91,423
Contributions received	54,167	27,561
Amounts recognized as revenue	(27,561)	(91,423)
Balance, end of year	\$ 54,167	\$ 27,561

8. Related party balances

The Centre has significant influence over the Waterfront Neighbourhood Centre Charitable Fund (WNCCF), a charitable organization incorporated without share capital and registered as a charity under the Income Tax Act. WNCCF's purpose is to receive and maintain funds, and apply all or part of the principal and/or revenue therefrom to the Centre from time to time. WNCCF operates to assist the Centre in achieving its mandates in providing services to the Waterfront West community.

WNCCF solicits funds in the name of the Centre, as outlined in the Memorandum of Understanding between the Centre and WNCCF dated May 26, 2020. The Centre provides on-going administrative support to WNCCF at no cost.

At December 31, 2025, \$27,900 (2024 - \$18,500) was owed by WNCCF to the Centre for purchases made by the Centre and donations collected on behalf of WNCCF.

Board of Management for the Waterfront Neighbourhood Centre Notes to the Financial Statements

December 31, 2025

9. Deferred capital contributions

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$ 430,260	\$ 403,565
Add: Contributions received	24,899	38,482
Amortization of deferred capital contributions	(12,383)	(11,787)
Section 37 funds used	<u>(58,880)</u>	<u>-</u>
Balance, end of year	<u>\$ 383,896</u>	<u>\$ 430,260</u>

Deferred capital contribution balance at the end of the year represents unspent contributions for capital purposes.

10. Internally restricted - program fund reserves

	<u>2025</u>	<u>2024</u>
Program Administrative Reserve	\$ 156,350	\$ -
Mission and Strategic Priority Reserves		
Children and Youth Reserve	117,248	117,248
Senior and Arts Reserve	92,000	-
Facilities Equipment Reserve	20,153	19,193
Special Project - Community Development	118,358	118,358
Special Project - Summer Program	35,000	35,000
Special Project - Capital Equipment	54,217	51,635
Special Project - Program - Financial Subsidy	<u>36,936</u>	<u>36,936</u>
	<u>\$ 630,262</u>	<u>\$ 378,370</u>

The Program Administrative reserve was established to meet future legal and financial obligations due to funding shortfalls and uncertainties, and/or in the event of an emergency shutdown of the Centre's operations.

The Mission and Strategic Priority Reserves represent funds set aside by the Board for future special projects relating to children and youth or special project initiatives, identified through strategic planning processes and for expenditures required to maintain the Centre's facility and/or for purchases of capital items not funded through other sources. Internally restricted net assets are not available for other purposes without approval of the Board.

During the year, the Board approved an interfund transfer of \$251,892 from unrestricted net assets to the Program Administrative Reserve for \$156,350 and \$95,542 to the Mission and Strategic Priority Reserve to support these planned initiatives.

Board of Management for the Waterfront Neighbourhood Centre Notes to the Financial Statements

December 31, 2025

11. Unrestricted funds

The unrestricted fund represents funds to be used by the Centre for future program administration, to meet legal and financial obligations in the event of future funding shortfalls and uncertainties and/or in the event of an emergency shutdown of the Centre's operations or for other administrative liabilities. These funds will equal no less than one month of operating expenses and no greater than three months based on the current year's budgeted expenses.

12. Financial instruments

The Centre is exposed to and manages various financial risks resulting from operations. Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The Centre's main financial risk exposures and its financial risk management policies are as follows:

Credit risk

The Centre is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Centre's maximum exposure to credit risk represents the sum of the carrying value of its cash, investments and accounts receivable. The Centre's cash and short-term investments are with a Canadian chartered bank and as a result management believes the risk of loss on this item to be remote. Management believes that the Centre's credit risk with respect to accounts receivable is limited. The organization manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts.

Liquidity risk

Liquidity risk refers to the adverse consequence that the Centre will encounter difficulty in meeting obligations associated with financial liabilities, which are comprised of accounts payable and accrued liabilities. The Centre manages liquidity risk by monitoring its cash flow requirements on a regular basis. The Centre believes its overall liquidity risk to be minimal as the Centre's financial assets are considered to be highly liquid.

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 is comprised of currency risk, interest risk and other price risk.

Currency risk

Currency risk refers to the risk that the fair value of instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The Centre's financial instruments are all denominated in Canadian dollars and the Centre transacts primarily in Canadian dollars. As a result, management does not believe it is exposed to significant currency risk.

Board of Management for the Waterfront Neighbourhood Centre Notes to the Financial Statements

December 31, 2025

12. Financial instruments (continued)

Market risk (continued)

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 Centre's cash and short-term investments earn interest at prevailing market rates and the interest rate exposure related to these financial instruments is negligible.

Other price risk

Other price risk is the risk that the fair value of financial instruments or future cash flows associated with financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether these changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. Management does not believe the Centre is exposed to significant other price risk.

Changes in risk

There have been no significant changes in the Centre's risk exposures from the prior year.