

Independent auditor's report

To the board of Directors of Ladysmith Resource Centre Association

Qualified opinion

We have audited the financial statements of the Ladysmith Resource Centre Association ("the Association"), which comprise the statement of financial position as at March 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 the Ladysmith Resource Centre Association as at March 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 qualified opinion

We were not able to observe the counting of the physical inventories at the beginning of the year or satisfy ourselves concerning those inventory quantities by alternative means. Since opening inventories affect the determination of the cost of goods sold, net income and cash flows, we were unable to determine whether adjustments might have been necessary to cost of goods sold, net income and cash flows from operations for the year ended March 31, 2025. Our audit opinion on the financial statements for the period ended March 31, 2024, was modified accordingly because of the possible effect 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 non-consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the nonconsolidated 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.

Emphasis of matter

We draw attention to Note 2 of the financial statements, which explains that certain comparative information presented for the year ended March 31, 2024, has been restated. Our opinion is not modified in respect of this matter.

Other matter

The financial statements of the Association for the year ended March 31, 2024, were audited by another auditor who expressed a qualified opinion on those financial statements on November 4, 2024.

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 BC Societies Act, we report that, in our opinion, the accounting principles in Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Nanaimo, Canada
October 14, 2025

Doane Grant Thornton LLP

Chartered Professional Accountants

LADYSMITH RESOURCES CENTRE ASSOCIATION

Statement of Financial Position

March 31	2025	2024- restated (note 2)
Assets		
Current		
Cash and cash equivalents- note 4	\$ 967,902	\$ 1,012,980
Restricted cash and cash equivalents - note 5	65,700	73,617
Term deposit - note 4	-	27,396
Accounts receivable	63,469	80,317
Goods and services tax recoverable	9,238	-
Inventory - note 6	28,610	26,990
Prepaid expenses	12,610	2,256
	<u>1,147,529</u>	<u>1,223,556</u>
Tangible Capital Assets - note 7	11,756,294	12,364,336
Term deposit- note 4	27,861	-
Deposit - Town of Ladysmith - note 8	213,955	221,954
	<u>\$ 13,145,639</u>	<u>\$ 13,809,846</u>

See accompanying notes to the financial statements

LADYSMITH RESOURCES CENTRE ASSOCIATION

Statement of Financial Position

March 31	2025	2024- restated (note 2)
Liabilities and Net Assets		
Current		
Accounts payable and accrued expenses	\$ 94,877	\$ 82,383
Interest payable	23,633	23,950
Goods and services tax payable	-	241,351
Wages payable	76,217	91,786
Employee taxes payable	25,504	23,033
Security deposits	19,223	21,330
Deferred contributions - note 9	771,053	807,532
Current portion of long term debt	94,781	91,096
	<u>1,105,288</u>	<u>1,382,461</u>
Long Term Debt - note 10	6,668,439	6,763,020
Deferred capital contributions - note 11	4,756,283	4,879,119
	<u>12,530,010</u>	<u>13,024,600</u>
Net assets		
Invested in capital assets - note 12	213,158	607,151
Internally restricted - note 13	360,625	368,624
Unrestricted	41,847	(190,529)
	<u>615,630</u>	<u>785,246</u>
	<u>\$ 13,145,640</u>	<u>\$ 13,809,846</u>

Commitments - note 14

Economic Dependence - note 16

Contingent Liability - note 17

On behalf of the Board

Signed by: Sandra Keder Director
 Signed by: Andrea Stelnicki Director
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See accompanying notes to the financial statements.

LADYSMITH RESOURCES CENTRE ASSOCIATION

Statement of Changes in Net Assets

For the year ended March 31

	Invested in capital assets (note 10)	Internally restricted (note 11)	Unrestricted	Total 2025	Total 2024 - restated (note 2)
Balance, beginning of year as previously stated	\$ 809,047	\$ 368,624	\$ (190,529)	\$ 987,142	\$ 1,000,618
Prior year adjustment	(201,896)		-	(201,896)	\$ 20,467
Balance, as restated	607,151	368,624	(190,529)	785,246	1,021,085
Deficiency of revenues of expenses	(205,168)	(7,999)	43,551	(169,616)	(235,839)
Net change in investment in capital assets	(188,825)	-	188,825	-	-
Net Assets - end of year	\$ 213,158	\$ 360,625	\$ 41,847	\$ 615,630	\$ 785,246

See accompanying notes to the financial statements.

Ladysmith Resources Centre Association
Statement of Operations

For the year ended March 31	2025	2024- restated (note 2)
Revenues		
BC Community gaming grants	\$ 82,754	\$ 78,915
BC Provincial contracts and subsidies	1,268,576	1,174,836
Donations and fundraising revenue	360,842	247,228
Federal grants	47,770	45,130
Foundation and charitable grants	144,428	122,582
Municipal grants	47,274	38,635
Rental income	399,224	330,654
Other revenue	10,570	7,050
Interest income	916	877
Amortization of deferred capital contributions	147,448	164,795
	2,509,802	2,210,702
Expenses		
Amortization	352,616	372,064
Building	7,999	4,908
Contractor and consulting fees	18,710	92,121
Fundraising expenses	3,295	3,222
General administrative costs	13,570	10,175
Insurance	47,987	55,991
Mortgage interest	285,355	192,324
Occupancy and maintenance	88,735	74,299
Office	19,012	11,918
Payroll expenses	1,325,322	1,221,443
Professional fees	49,414	57,454
Program support Costs	371,495	260,004
Travel	5,739	8,858
Utilities	90,169	81,760
	2,679,418	2,446,541
Deficiency of revenue over expenses	\$ (169,616)	\$ (235,839)

See accompanying notes to the financial statements.

LADYSMITH RESOURCES CENTRE ASSOCIATION

Statement of Cash Flows

For the year ended March 31	2025	2024- restated (note 2)
Cash provided by(used in)		
Operating activities		
Deficiency of revenue over expenses	\$ (169,616)	\$ (284,250)
Adjustment for non-cash items		
Recapture on sale of asset	(336)	-
Amortization of capital assets	352,616	372,064
	\$ 182,664	\$ 87,814
Changes in non-cash working capital balances		
Decrease in current term deposit	(27,396)	29,500
Accounts receivable	16,848	883,080
Goods and services tax recoverable	(250,589)	537,726
Inventory	(1,620)	(6,266)
Prepaid expenses	(10,354)	31,663
Decrease in Town of Ladysmith deposit	7,999	4,908
Accounts payable and accrued liabilities	12,494	(956,666)
Wages payable	(15,569)	27,991
Employee taxes payable	2,471	4,449
Interest payable	(317)	23,951
Decrease in security deposits	(2,107)	21,330
Deferred contributions	(36,479)	87,436
Deferred capital contributions	(122,836)	(116,384)
Game prize liabilities	-	(7,609)
Interest income and donations in kind	(926)	-
Cash flow from operating activities	(245,717)	652,923
Investing activities		
Proceeds from disposal of asset	3,500	-
Construction of the Buller Project	252,257	(425,546)
Change in term deposit	27,861	(272)
Change in restricted cash and cash equivalents	7,917	(1,106)
Cash flow from financing activities	291,535	(426,924)
Financing activities		
Proceeds from callable debt	-	124,537
Repayment of callable debt	-	(6,905,408)
Proceeds from long term debt	-	6,905,408
Repayment of long term debt	(90,896)	(51,291)
Cash flow used by investing activities	(90,896)	73,246
Increase in Cash Flow	(45,078)	299,245
Cash, beginning of the year	1,012,980	713,735
Cash, end of year	\$ 967,902	\$ 1,012,980

See accompanying notes to the financial statements.

LADYSMITH RESOURCES CENTRE ASSOCIATION

Notes to Financial Statements

March 31, 2025

1. Purpose of the Association

Ladysmith Resources Centre Association("The Association") is an organization established to coordinate, facilitate and provide community services and information in order to enhance the quality of life in the community of Ladysmith and the surrounding area. The Association was incorporated July 22, 1992 under the Societies Act of B.C. as a not-for-profit organization and is a registered charity under the Income Tax Act of Canada. The Association is exempt from income tax as long as certain conditions are met. The Association may issue charitable tax receipts to donors.

2. Restatement of Prior Year Figures

During the period the Association determined that certain adjustments were required to the March 31, 2024 comparative figures as follows:

The Association determined that the revenue recognized for the deferred capital contributions was previously recorded based on the actual amortization expense of the assets and not the balance of the capital contribution over the useful life of the asset. As the Association follows the deferral method, the capital contributions should be recognized into income on the same basis as the related assets are amortized. As a result an adjustment has been made to the 2024 figures to record the recognition of the revenue for that period.

The March 31, 2024 comparative figures have been adjusted as follows:

	Previously reported	Error correction	As restated
Statement of Financial Position			
As at March 31, 2024			
Deferred capital contributions	\$ 4,697,690	\$ 181,429	\$ 4,879,119
Invested in capital assets	788,579	(181,429)	607,150
Statement of Operations			
Year ended March 31, 2024			
Amortization of deferred capital contribution	366,691	(201,896)	164,795
Deficiency of revenues over expenses	(33,943)	(201,896)	(235,839)
Statement of Changes in Net Assets			
Year ended March 31, 2024			
Net assets (opening)	1,000,618	20,467	1,021,085
Invested in capital assets (closing)	788,579	(181,429)	607,150

3. Summary of Significant Accounting Policies

Basis of presentation

The financial statements of the Association were prepared in accordance with Canadian accounting standards for not-for-profit organizations(ASNPO) and include the following significant accounting policies:

3. Summary of Significant Accounting Policies - continued

Revenue recognition

The Association follows the deferral method of accounting for contributions, which includes donations and government grants.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a basis and rate corresponding with the amortization of the related capital assets.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Rental revenue is recognized as revenue when earned if the amount to be received can be reasonably estimated and collection is reasonably assured.

Fees for services are recognized when services are delivered.

Net Assets

The Association segregates its net assets based on any restrictions related to such balances.

Invested in capital assets - represents the Association's net investment after unamortized deferred capital contributions and long term debt in administrative and service related housing, equipment and leasehold improvements.

Internally restricted net assets - represent those funds restricted by Board designation for contingency purposes. These amounts are not available for purposes other than those designated by the Board of Directors.

Unrestricted net assets - contains the operating costs related to the Association's operations

Contributed materials and services

The operations of the Association depend on both the contribution of time by volunteers and donated materials from various sources. Contributed services are not recognized in the financial statements because of the difficulty in determining the fair value of the services provided. Contributed materials are recorded at the fair market value only when a realizable value of the related benefit can be reasonably estimated and the materials are used in the normal course of operations and would otherwise have been purchased.

Financial Instruments

The association initially measures its financial assets and financial liabilities at fair value, except for certain related party transactions.

The Association subsequently measures all of its financial assets and financial liabilities from arm's length transactions 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; derivative contracts, which are measured at fair value; and certain financial assets and financial liabilities which the Company has elected to measure at fair value. Changes in fair value are recognized in net income.

Financial assets measured at cost or amortized cost less any reduction for impairment include cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, inventory and long term investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, interest payable, wages payable, employee taxes payable and long term debt.

There are no financial instruments measured at fair market value.

3. Summary of Significant Accounting Policies - continued

Financial Instruments - continued

Financial assets and financial liabilities in arm's length transactions, which are not subsequently measured at fair value, are initially adjusted for transaction costs and financing fees directly attributable to their origination, acquisition, issuance or assumption.

All other transaction costs are recognized in net income in the period incurred.

Unamortized financing fees and transaction costs are amortized into net income on a straight-line basis over the term of the related debt.

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

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 net income.

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are highly liquid investments valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than one year.

Inventory

Inventories are measured at the lower of cost and net realizable value, with cost being determined using the first-in, first-out method ("FIFO"). Net realizable value is the estimated selling price in the ordinary course of business.

Capital Assets

Tangible capital assets are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is provided on a straight-line and declining balance basis over the estimated useful life of the asset.

Contributed assets are recorded at fair value at the date of the contribution.

The following rates are applied on the cost over the estimated useful lives of property, plant and equipment:

Asset	Method	Rate
Buller Street Development	Straight line method	35 years
Equipment	Declining balance method	20%
Motor vehicles	Declining balance method	20%
Computer equipment	Declining balance method	55%
Furniture and equipment	Declining balance method	20%

Impairment of long-lived assets

The Association regularly reviews its capital assets for impairment whenever events or changes in circumstances indicate that either the full or partial amount of the asset no longer has long-term service potential to the Association. If such conditions exist an impairment loss is measured at the amount by which the carrying amount of the asset exceeds its fair value or replacement cost.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that could affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant areas requiring the use of management estimates relate to the determination of useful lives of capital assets for amortization, valuation of receivables, accrued liabilities, and provision for contingencies. Actual results could differ from these estimates.

Allocation of expenses

The Association engages in various programs. The costs of each program include the costs of personnel, building and other expenses that are directly related to providing the program. The Association also includes a number of general support expenses that are common to the administration of the Association and each of its programs.

The Association allocates certain of its general support expenses by estimating the appropriate basis of allocating each component expense, and applies that basis consistently each year.

4. Cash and Cash Equivalents and Term Deposit

The Association's bank accounts are held at one credit union. Deposits at the credit union are insured by the Province of British Columbia. In addition to operating accounts, the Association holds a 3 year term rate Climber deposit with a current rate of 2.5%. The term maturity is January 21, 2028.

	2025	2024
Current term	\$ -	\$ 27,396
Long term	27,861	-
	<u>\$ 27,861</u>	<u>\$ 27,396</u>

5. Restricted Cash and Cash Equivalents

Restricted cash relates to the unallocated balance of funds in the Association's Gaming account and may be utilized only for program purposes as approved by the B.C. Gaming Commission from time-to-time

Cash in the Internally Restricted Fund relates to balances the Board has internally restricted to support the Community Kitchen/Food Security programs, and the Contingency Reserve Fund (note 13).

	2025	2024
Externally Restricted- Gaming Funds	\$ 65,700	\$ 73,617

6. Inventory

Inventory consists of food supplies purchased by the Association. Inventories recognized as an expense during the year total \$180,595 (2024 - \$132,517)

7. Tangible Capital Assets

	2025			2024	
	Cost	Accumulated Amortization	Net book value	Net book value	
Buller Street Land	\$ 312,291	\$ -	\$ 312,291	\$	312,291
Buller Street Building	12,118,515	691,799	11,426,716	12,025,217	
Equipment	37,887	26,516	11,371	15,160	
Motor Vehicles	40,706	39,165	1,541	5,095	
Computer equipment	63,987	62,850	1,137	2,526	
Furniture and fixtures	83,424	80,186	3,238	4,047	
	<u>\$ 12,656,810</u>	<u>\$ 900,516</u>	<u>\$ 11,756,294</u>	<u>\$</u>	<u>12,364,336</u>

Amortization expense for the year was \$352,616 (2024- \$372,064).

8. Deposit - Town of Ladysmith

The Association has entered into an agreement with the Town of Ladysmith("Town") to lease a facility. Under the terms of the agreement the Association has agreed to pay the Town annual rent of \$10 per annum commencing June 1, 2011. The term of the lease is for 5 years with up to seven options to renew for five years each. The current term renews in 2026.

As part of the agreement, the Association was required to deposit \$363,000 with the Town. The Town transfers \$479 each month from the \$363,000 deposit to a Contingency Reserve Fund owned by the Town, in order to set aside funds for the future replacement of major interior building elements including mechanical, HVAC, electrical building systems, fixtures and flooring.

In 2016, the Association received an additional lump sum payment of \$75,000 to help with expenses. This amount will reduce the overall funding committed from the Town of Ladysmith.

	2025		2024	
Opening Balance	\$	221,954	\$	226,862
Transfer to Contingency Reserve Fund		(7,999)		(4,908)
	\$	213,955	\$	221,954

9. Deferred Contributions

Deferred contributions include grants, public funding and sponsorships received for a specific use, but for which the related expenditures have not been incurred.

	Balance, beginning of year	Current year contributions received	Amounts recognized as revenue	Balance, end of year
Contracts and grants	\$ 74,050	\$ 76,520	\$ (66,560)	\$ 84,010
Community gaming grants	73,606	65,700	(73,606)	\$ 65,700
Buller Project contributions	25,368	-	-	\$ 25,368
Program fund contributions/revenue	634,508	2,533,687	(2,572,220)	\$ 595,975
Balance, end of year	\$ 807,532	\$ 2,675,907	\$ (2,712,386)	\$ 771,053

10. Long Term Debt

Scotiabank loan bearing interest at 4.23% per annum, repayable in monthly blended payments of \$31,381. The loan matures on August 1, 2033 and is secured by a first charge claim over 309/314 Buller Street, Ladysmith, BC, V9G 1A9 which has a carrying value of \$11,739,007.

	2025		2024	
	\$	6,763,220	\$	6,854,116
Amounts payable within one year		(94,781)		(91,096)
	\$	6,668,439	\$	6,763,020

Principal repayment terms are approximately:

2026	94,781
2027	98,833
2028	103,058
2029	107,463
2030	112,057
Thereafter	6,152,247
	<u>\$ 6,668,439</u>

11. Deferred Capital Contributions

Deferred capital contributions represent both the unamortized value of capital assets donated to the Association and contributions received for the acquisition of capital assets. The changes in deferred capital contributions for the year are as follows:

	2024	
	2025	restated (note 2)
Balance, beginning of year	\$ 4,879,119	\$ 5,043,915
Capital Contributions Received	24,612	-
Amortization of deferred capital contributions	(147,448)	(164,796)
Balance, end of year	\$ 4,756,283	\$ 4,879,119

12. Invested in Tangible Capital Assets

Invested in tangible capital assets is calculated as follows:

	2025	2024
Capital assets	\$ 11,756,294	\$ 12,364,336
Amounts financed by:		
ScotiaBank mortgage	(6,763,220)	(6,854,116)
Accrued interest payable	(23,633)	(23,950)
Deferred capital contributions	(4,756,283)	(4,879,119)
	\$ 213,158	\$ 607,151

13. Internally Restricted Net Assets

The Board of Directors has internally restricted \$46,670 (2024-\$51,578) as a contingency fund for the future repair and maintenance of the leased building and \$213,955(2024-\$221,954) related to the funds on deposit with the Town of Ladysmith (Note 8).

The Board has also internally restricted \$100,000 (2024-\$100,000) to support the Community Kitchen/Food Security programs.

	2025	2024
Contingency fund for repairs of leased building	\$ 46,670	\$ 46,670
Community Kitchen/Food Security program	100,000	100,000
Town of Ladysmith - funds on deposit	213,955	221,954
	\$ 360,625	\$ 368,624

14. Commitments

In the ordinary course of business, the Association has entered into various contractual arrangements with service providers. These contracts have various terms and lengths. The minimum annual commitments for the next five years are as follows:

	2026	1,277
	2027	319
	\$	1,596

15. Disclosure of employee, contractor, and director remuneration

The Societies Act (British Columbia) requires the disclosure of remuneration paid by the Association to employees and contractors whose remuneration was at least \$75,000 and any amounts of remuneration paid by the Association to directors.

For the fiscal year ended March 31, 2025, the Association paid one employee (2024 - none) for services for annual remuneration of \$75,000 or greater.

No remuneration of \$75,000 or greater was paid to contractors for services and no remuneration was paid to any members of the Board.

16. Economic dependence

The Association receives the majority of its funding from contracts with the Province of British Columbia through its various ministries and crown corporations, which provide funds for specific programs that offer services that benefit the community. The continuation of the majority of programs is dependent upon the continued funding from these sources. For the year ended March 31, 2025, 53.7% (2024 - 57.42%) of the Association's funding came from the Provincial Government.

The BC Housing agreement for the Buller Street apartment project requires the Association to tenant the Building within specific parameters. Failure to place tenants who will pay rents within the parameters of the BC Housing agreement for this project could result in the loss of BC Housing funding for the Buller Street apartment project, and potentially the removal of the project from the Association's programs. Currently all the units have been tenanted within the BC Housing parameters and sufficient rents are being collected.

17. Contingent Liability

The Association has been named as a defendant in a Human Rights Complaint alongside BC Housing and the Ministry of Social Development and Poverty Reduction. This complaint was filed on May 9, 2022 and the Ladysmith Resources Centre Association was formally included as a party to the complaint on December 7, 2022. On the date of the initial filing, both the current President of the Association and her daughter were named as complainants. Subsequent to the initial filings and before the Ladysmith Resources Centre Association was formally included as a party, the President had removed her name from the complaint, and her daughter subsequently removed her name on November 20, 2023. The Human Rights Tribunal has received all legal submissions and it is anticipated that a judgment will be received by the end of 2025. The results of this complaint are not determinable at this time.

18. Financial Instruments

The Association is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Association's risk exposure and concentration as of March 31, 2025.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Association is exposed to credit risk from contributors and tenants. The Association has a significant number of contributors and tenants which minimizes concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, and accounts payable.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in interest rates may effect the cash flows associated with some of the Company's financial assets and liabilities. In seeking to minimize the risks from interest rate fluctuations, the Association manages exposure through its normal operating and financing activities. The Association is exposed to interest rate risk primarily through its credit facilities.

18. Financial Instruments - continued

Unless otherwise noted, it is management's opinion that the Association is not exposed to significant other price risks arising from these financial instruments.

19. Comparative figures

The prior year comparative figures were audited by another firm of Chartered Professional Accountants.

Some of the prior period comparative figures have been reclassified to conform to the current year presentation.

20. Subsequent Events

The Employees of the Association unionized subsequent to year end with an effective date of May 20, 2025. Benefits and MPP are effective May 1, 2025 and the estimated impact is \$245,000 annually. This includes wage increases, benefits, and MPP. The Association is working with funders to top up their contracts to cover these extra costs.