YMCA of Greater Toronto

Financial Statements
March 31, 2019

Independent auditor's report

To the Board of Directors of YMCA of Greater Toronto

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of YMCA of Greater Toronto (the Association) as at March 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited
The Association's financial statements comprise:

- the statement of financial position as at March 31, 2019;
- the statement of operations for the year then ended;
- the statement of changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

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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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
July 22, 2019

YMCA of Greater Toronto

Statement of Financial Position

As at March 31, 2019

(in thousands of dollars)

	2019 $	2018 $
Assets		
Current assets		
Cash and cash equivalents	16,706	13,074
Accounts receivable	16,563	14,903
Prepaid expenses	1,102	964
	34,371	28,941
Long-term accounts receivable (note 3)	32,431	17,322
Investments (note 4)	16,246	17,142
Capital assets (note 5)	191,688	164,267
	274,736	227,672
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 16)	29,825	27,125
Current portion of long-term debt (note 8)	859	836
Deferred revenue (note 6)	8,987	8,965
Deferred annual giving campaign contributions	346	324
	40,017	37,250
Long-term debt (note 8)	57,094	35,988
Capital lease obligations	64	83
Deferred capital contributions (note 9)	80,646	62,005
	177,821	135,326
Fund Balances		
Unrestricted	24,627	6,899
Internally restricted (note 10)	3,114	3,063
Invested in capital assets	53,007	65,338
Endowment	16,167	17,046
	96,915	92,346
	274,736	227,672

Commitments and contingencies (note 11)

Approved by the Board of Directors

M Sharma Director   Diane Sinhuber Director

The accompanying notes are an integral part of these financial statements.

YMCA of Greater Toronto

Statement of Operations

For the year ended March 31, 2019

(in thousands of dollars)

	2019 $	2018 $
Revenue		
Government	131,036	113,747
Program fees	90,277	84,156
Membership fees	35,675	36,062
Other	6,525	3,835
Donations	2,469	2,810
United Way	1,222	1,534
Amortization of deferred capital contributions (note 9)	6,076	4,796
Investment income	710	587
	273,990	247,527
Expenses		
Salaries and benefits	170,978	156,092
Program costs	59,613	52,897
Financing costs	648	600
Occupancy costs	23,282	21,946
Allocation to YMCA Canada	1,283	1,289
Amortization of capital assets	13,073	11,613
	268,877	244,437
Excess of revenue over expenses before undernoted item	5,113	3,090
Fair value change in investments	(346)	600
Excess of revenue over expenses for the year	4,767	3,690

The accompanying notes are an integral part of these financial statements.

YMCA of Greater Toronto

Statement of Changes in Fund Balances

For the year ended March 31, 2019

(in thousands of dollars)

	Unrestricted $	Internally restricted $	Endowment $	Invested in capital assets $	2019 Total $	2018 Total $
Fund balances – Beginning of year	6,899	3,063	17,046	65,338	92,346	74,619
Excess (deficiency) of revenue over expenses for the year	11,764	-	-	(6,997)	4,767	3,690
Purchases of capital assets	(40,494)	-	-	40,494	-	-
Contributed land	-	-	-	-	-	13,993
Receipt of funding for capital assets	24,717	-	-	(24,717)	-	-
Payment of long-term debt	(854)	-	-	854	-	-
Proceeds from long-term debt	21,965	-	-	(21,965)	-	-
Interfund transfers	630	51	(681)	-	-	-
Endowment contributions	-	-	75	-	75	44
Endowment transfer to YMCA Academy	-	-	(273)	-	(273)	-
Fund balances – End of year	24,627	3,114	16,167	53,007	96,915	92,346

The accompanying notes are an integral part of these financial statements.

YMCA of Greater Toronto

Statement of Cash Flows

For the year ended March 31, 2019

(in thousands of dollars)

	2019 $	2018 $
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	4,767	3,690
Items not affecting cash		
Amortization of deferred capital contributions	(6,076)	(4,796)
Amortization of capital assets	13,073	11,613
Fair value change in investments	346	(600)
Investment income reinvested	(506)	(499)
Net change in non-cash working capital items		
Accounts receivable	(1,660)	(3,787)
Prepaid expenses	(138)	32
Accounts payable and accrued liabilities	(4,435)	(2,626)
Deferred revenue	22	(495)
Deferred annual giving campaign contributions	22	(117)
	5,415	2,415
Financing activities		
Deferred capital contributions received	9,608	8,849
Endowment contributions received	75	44
Repayment of capital lease obligation	(19)	(18)
Repayment of long-term financing	(836)	(924)
Proceeds from long-term financing	21,965	21,107
	30,793	29,058
Investing activities		
Purchase of capital assets	(33,359)	(38,123)
Proceeds from sale of investments	1,056	2,156
Endowment transfer to new entity	(273)	-
	(32,576)	(35,967)
Increase (decrease) in cash and cash equivalents during the year	3,632	(4,494)
Cash and cash equivalents – Beginning of year	13,074	17,568
Cash and cash equivalents – End of year	16,706	13,074

Non-cash transactions (note 14)

The accompanying notes are an integral part of these financial statements.

(in thousands of dollars)

1 Nature of operations

The mission and vision statements of YMCA of Greater Toronto (the Association) are:

Mission

The Association is a charity offering opportunities for personal growth, community involvement and leadership.

Vision

Our communities will be home to the healthiest children, teens and young adults.

The Association was incorporated by a Special Act of the Legislature of Ontario on March 4, 1868. The Association is a registered charity under the Income Tax Act (Canada) (the Act) and accordingly is exempt from income taxes, provided certain requirements of the Act are met.

The financial statements of the Association have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

2 Summary of significant accounting policies

Revenue recognition

The Association follows the deferral method of accounting for contributions.

Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred. Restricted contributions for the purchase of capital assets that will be amortized are deferred and recognized as revenue on the same basis as the amortization expenses related to the acquired capital assets. Restricted contributions for the purchase of capital assets that will not be amortized are recognized as direct increases in net assets.

Annual giving pledges are recognized when cash is received. The Association runs an annual giving campaign to raise money for operations. Some of the contributions that are for programs that will occur in the subsequent fiscal year are recorded as deferred annual giving campaign contributions.

Capital campaign pledges are recognized as deferred capital contributions when cash is received.

Endowment contributions are recognized as a direct increase to the Endowment Fund in the year in which the contribution is received.

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.

Investment income is recognized as revenue when earned.

(in thousands of dollars)

Investments and investment income

Investments are accounted for at their fair values, which are determined as follows:

- fixed income investments are determined based on quoted market values and equities are determined based on closing bid prices; and
- investments in pooled funds are valued at their net asset values.

Investment income for these funds includes dividends and interest. Dividends are recorded when declared and interest is recorded when earned. Transaction costs and investment management fees associated with the acquisition and disposal of the investments are expensed as incurred.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term investments. Short-term investments are highly liquid, subject to insignificant risk of change in value and have a short maturity term.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. When capital assets no longer contribute to the Association's ability to provide services, their carrying amounts are written down to their residual value.

Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows:

Buildings	period not exceeding 25 years
Office furnishings and equipment	period not exceeding 5 years
Computers	period not exceeding 5 years
Leasehold improvements	over the term of the lease

Construction-in-progress comprises direct construction and development costs. No amortization is recorded until construction is substantially complete and the assets are ready for use.

Leases

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases wherein rental payments are expensed over the term of the lease. Assets recorded under capital leases are amortized in accordance with the Association's amortization policies.

(in thousands of dollars)

Pension plan

The Association is part of a multi-employer defined contribution plan, the Canadian YMCA Retirement Fund. The Association contributed $4,443 (2018 – $4,192) to the plan.

Endowment Fund

The Endowment Fund was established to record bequests received by and in memoriam funds set up for the Association. As well, other contributions may be classified as Endowment Fund on being internally restricted at the discretion of the board of directors.

The annual appropriation to the unrestricted net assets, which is shown as an interfund transfer, is calculated as an amount not to exceed the net change in fair values at the beginning and end of the year, adjusted for any increases in capital, disbursements, management fees and annual average consumer price index.

Capital campaign pledges

The Association records pledges when received. Capital campaign pledges committed for future years are $7,690 (2018 – $6,865).

Contributed services

A number of volunteers contribute their services to the Association each year. Due to the difficulty of determining the fair value, these contributed services are not recognized or disclosed in the financial statements.

Financial assets and liabilities

The Association initially records cash and cash equivalents, accounts receivable, long-term accounts receivable and accounts payable and accrued liabilities at fair value and subsequently at amortized cost.

The Association records investments at fair value on the statement of financial position, with changes in fair value recorded in the statement of operations.

Financial assets, other than those measured at fair value, are tested for impairment at the end of each reporting period when there are indicators the assets may be impaired.

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements and the revenue and expenses during the reporting period. Actual results could differ from those estimates.

(in thousands of dollars)

3 Long-term accounts receivable

The Association is building a new YMCA Centre of Community in Vaughan. The new Centre of Community is 109,000 square feet, including 77,000 square feet for a YMCA Centre of Community and 32,000 square feet for a library and performing arts centre, to be operated by the City of Vaughan. The project is estimated to cost $92,414, of which the City of Vaughan has committed to fund up to $67,536. The project is currently under construction, with the Association utilizing construction financing from Infrastructure Ontario (note 8) until the project is completed, at which time the financing will be converted into a 20-year term loan.

The City of Vaughan is responsible for its share of construction financing and following conversion in May 2020, over a 20-year period, will pay its share of monthly principal and interest payments. The long-term accounts receivable reflect the City of Vaughan's share of principal outstanding on construction completed to March 31, 2019.

4 Investments

The investments consist of the Endowment Fund and other investments (Capital Expenditure Reserve). They are summarized as follows:

	2019 $	2018 $
Endowment Fund		
Units in pooled private funds	15,975	16,935
Bonds	118	111
	16,093	17,046
Other investments		
Bonds	153	96
	16,246	17,142

Bonds have a yield to maturity of 9.1% to 10.0%, with maturity dates ranging from May 2021 to April 2028.

(in thousands of dollars)

5 Capital assets

			2019	2018
	Cost $	**Accumulated amortization** $	**Net** $	**Net** $
Land	35,911	-	35,911	35,911
Buildings	240,292	165,807	74,485	79,768
Office furnishings and equipment	47,326	45,375	1,951	1,816
Computers	11,615	10,677	938	878
Leasehold improvements	18,443	16,450	1,993	1,663
Construction-in-progress	76,410	-	76,410	44,231
	429,997	238,309	191,688	164,267

6 Deferred revenue

	2019 $	**2018** $
Membership fees	1,528	1,530
Overnight camp fees	1,218	1,144
Day camp fees	3,450	2,983
Government contract fees	2,455	2,622
Other	336	686
	8,987	8,965

7 Bank facility

The Association has a line of credit with TD Canada Trust of up to $20,000. As at March 31, 2019, the balance of this line of credit was $nil (2018 – $nil). The line of credit is secured by a first charge/mortgage on the 325 Burnhamthorpe Road, Mississauga YMCA and a first ranking general security agreement over all of the borrower's assets, ranking pari passu with Infrastructure Ontario.

The Association has issued letters of credit in the normal course of business totalling $761 (2018 – $3,899).

(in thousands of dollars)

8 Long-term debt

	2019 $	2018 $
City of Toronto Sustainable Energy Plan Financing (a)		
Term Loan One, $7,511 payable over 15 years, fixed rate of 3.15% (a)(i)	6,562	6,368
Term Loan Two, $3,000 payable over 20 years, fixed rate of 3.28% (a)(ii)	3,000	-
Infrastructure Ontario (b)		
Term Loan, $10,000 payable over 25 years, fixed rate of 3.65% (b)(i)	9,246	9,513
Term Loan, $1,775 payable over 25 years, fixed rate of 3.53% (b)(i)	1,699	1,745
Term Loan, $1,195 payable over 10 years, fixed rate of 3.15% (b)(i)	1,030	1,135
Construction loan, non-revolving floating rate, interest only paid monthly (b)(ii)	36,416	18,063
	57,953	36,824
Less: Current portion	859	836
Long-term portion	57,094	35,988

a) The Association has entered into two loans with the City of Toronto that provide financing for the sole purpose of energy efficiency projects.

i) In fiscal 2015, the Association entered into an agreement with the City of Toronto that provides financing of up to $7,511. The financing has been fully utilized as at March 31, 2019. The loan is non-interest bearing for the first year, with interest at 3.15% thereafter and blended payments of $156,738 made quarterly. The term of the loan is 15 years and ends on December 31, 2031. The loan is secured with a letter of credit in the amount of $500.

ii) In fiscal 2019, the Association entered into an agreement with the City of Toronto that provides financing of up to $12,000. The first loan amount of $3,000 was received in fiscal year 2019, a $6,000 loan amount will be received in fiscal 2020, and a $3,000 loan amount will be received in 2021. The loan is non-interest bearing for the first year, with interest at 3.28% thereafter and repayments made quarterly beginning April 2020. The term of the loan is 20 years, due on January 1, 2039.

(in thousands of dollars)

b) The Association has entered into various loans with Infrastructure Ontario for the financing of the construction of a new YMCA Centres of Community and related equipment. The Association is required to comply with certain covenants associated with these loans. As at March 31, 2019, the Association was in compliance with these covenants.

i) Cooper Koo Family YMCA

The loans are secured by a first charge on the property, general security agreement on the property and a general security agreement over all of the borrower's assets, ranking pari passu with Toronto Dominion Bank.

ii) Vaughan Metropolitan Centre (VMC) YMCA

In July 2017, the Association entered into a financing agreement with Infrastructure Ontario for the construction of the VMC YMCA. Interest is paid monthly based on the Infrastructure Ontario floating lending rate. The construction loan agreement provides for conversion into a term loan of a maximum of 20 years at the completion of construction. The loan includes borrowing repayable by the Association, as well as borrowing repayable by the City of Vaughan, in the amount of $32,431, which is reflected as a long-term accounts receivable (note 3). The loan is secured by a first charge on the property, a first ranking general security agreement on the property, a general security agreement over all of the borrower's assets, ranking pari passu with Toronto Dominion Bank, and a corporate guarantee by the City of Vaughan.

The scheduled principal repayments on the long term debt, excluding construction loans, are as follows:

	$
2020	859
2021	1,003
2022	1,038
2023	1,073
2024	1,109
Thereafter	16,455
	21,537

(in thousands of dollars)

9 Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. These contributions are amortized into revenue and are recorded in the statement of operations at a rate corresponding to the amortization rate of the related capital assets.

	2019				2018
	Government capital $	Capital campaign $	Other capital $	Total $	Total $
Balance – Beginning of year	27,349	34,316	340	62,005	41,730
Contributions received during the year	21,136	3,430	151	24,717	25,071
Amounts amortized to revenue	(3,687)	(2,316)	(73)	(6,076)	(4,796)
Balance – End of year	44,798	35,430	418	80,646	62,005

10 Internally restricted fund

During 2017, the Board of Directors transferred $3,034 to an internally restricted fund as a debt servicing reserve, to be utilized if needed on Board approval. As at March 31, 2019, the internally restricted fund increased to $3,114 due to interest earned.

11 Commitments and contingencies

Commitments

Minimum future rental commitments for operating leases, excluding operating costs, are as follows:

	$
2020	4,107
2021	2,858
2022	2,235
2023	1,587
2024	631
Thereafter	493
	11,911

In fiscal 2014, the Association entered into a contract with a private developer to build a base building for a new YMCA Centre of Community on Kingston Road. The contract includes selling the air rights on an existing YMCA property and purchasing additional land from the developer. The developer has demolished an existing building and is in the process of constructing a condominium building, which will include two floors allocated to the Association. The net commitment to the developer is approximately $10,900. As at March 31, 2019, $10,762 of this commitment had been paid to the developer. The Association will subsequently complete the outfitting of its occupied space. The expected completion date of the facility is in 2020.

(in thousands of dollars)

In December 2017, the Association entered into a contract with a private developer to build a base building for a new YMCA Centre of Community in the VMC. The developer is building a mixed used building, including an office tower and space for a YMCA Centre of Community and a City of Vaughan library and performing arts centre. The commitment to the developer is approximately $38,675. As at March 31, 2019, $32,116 of this commitment had been paid to the developer. The Association will subsequently complete the outfitting of its occupied space. The expected completion date of the facility is in 2020.

In February 2018, the Association entered into a contract with a private developer, to build a base building for a new McDonald Family YMCA at 505 Richmond Street in Toronto. The developer is building a mixed used building, including condominiums, retail and space for the McDonald Family YMCA Centre of Community. The commitment to the developer is approximately $22,000. As at March 31, 2019, $4,915 of this commitment had been paid to the developer. The Association will subsequently complete the outfitting of its occupied space. The expected completion date of the facility is in 2021.

Contingencies

In the normal course of operations, various claims are brought against the Association. The Association contests the validity of these claims as appropriate and management believes any settlement amounts required will not have a material effect on the financial position of the Association.

12 Related party transactions and balances

The Association is related to YMCA Academy (the Academy) as the Academy's Board of Directors are members of the Association's Board of Directors. The Academy is a charity whose mission is to advance education by establishing and operating an independent secondary school or other educational institutions, in one or more locations in Canada, with an emphasis on students with learning disabilities. The Association's financial statements do not include the assets, liabilities or operations of the Academy.

As at March 31, 2019, an amount of $213 (2018 – $nil) is owing from the Academy and has been included in accounts receivable. In addition, there is an amount of $78 (2018 – $nil) owing to the Academy that has been included in accounts payable and accrued liabilities.

13 Financial assistance

As part of its charitable mission, the Association provides financial assistance in the form of reduced fees to individuals who qualify for subsidized child care and health and fitness memberships. In fiscal 2019, the total assistance provided was $5,850 (2018 – $6,309).

(in thousands of dollars)

14 Non-cash transactions

The following are non-cash transactions during the fiscal period:

	2019 $	2018 $
Purchase of capital assets included in accounts payable and accrued liabilities	7,135	10,933
Long-term receivable included in deferred capital contribution received	15,109	16,222
Long-term receivable for repayment of long-term debt	-	1,100
Contributed land	-	13,993

15 Specific programs

The following outlines details of funding and expenses as required by certain funders.

Childcare centre programs in the Regional Municipality of Peel

The Association administers childcare centre programs in the Regional Municipality of Peel. The following subsidy and other grants from the Regional Municipality of Peel are included and presented in the statements of operations and financial position. The continuity of the deferred grants for various programs is as follows:

	Deferred grants – Beginning of year $	Grants received $	Grants accrued $	Government revenues and capital grants recognized $	Deferred grants – End of year $
Government grants					
GOF – Historical allocation	-	725	-	(725)	-
GOF – Priority operating fund	-	1,450	-	(1,450)	-
GOF – Repairs and maintenance grant	-	119	-	(119)	-
GOF – Rate reduction operating grant	-	1,735	-	(1,735)	-
GOF – Administration grant	-	8	-	(8)	-
Stabilization grant	-	4,754	-	(4,754)	-
Child subsidy	-	8,697	1,508	(10,205)	-
Provincial wage enhancement	3	1,756	-	(1,738)	21
Program support funding special needs	-	238	-	(238)	-
Mitigation grants	-	40	-	(40)	-
ELCC capital grants	-	-	903	(903)	-
Training grants	-	116	-	(116)	-
	3	19,638	2,411	(22,031)	21

(in thousands of dollars)

York Youth Justice, Peel Youth Justice, Youth Outreach Worker and Youth in Transition Worker Programs

The York Youth Justice, Peel Youth Justice, Youth Outreach Worker and Youth in Transition Worker Programs are programs administered by the Association and are funded by the Ministry of Children and Youth Services. The following grants and expenses are included in total government revenue and total program fees as presented in the statement of operations:

	York Youth Justice $	Peel Youth Justice $	Youth Outreach Worker $	Youth in Transition Worker $
Government revenue				
Grant	160	18	217	150
Program expenses	160	18	217	150
	-	-	-	-

16 Government remittances

Government remittances consist of property taxes, workplace safety insurance, sales taxes and payroll withholding taxes required to be paid to government authorities and are recognized when the amounts come due. With respect to government remittances, $384 (2018 – $468) is included in accounts payable and accrued liabilities.

17 Risks arising from financial instruments

The main risks to which the Association's financial instruments are exposed are credit risk, interest rate risk and market risk.

Credit risk

Credit risk is the risk one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Financial instruments that potentially subject the Association to concentrations of credit risk consist primarily of accounts receivable. In order to mitigate this risk, credit reviews are performed on a regular basis and an allowance for bad debts is recorded when appropriate. The maximum credit risk is the fair value of the accounts receivable balance. There are no significant concentrations of credit risk.

Cash and cash equivalents and investments are invested with reputable financial institutions. It is management's assessment that the credit risk associated with these balances is low.

(in thousands of dollars)

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The interest rate risk on investments is considered insignificant, as the majority of the Association's investments are held in units in a pooled private balanced fund.

Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Association's investments are susceptible to market risk. The Association manages its market risk by monitoring the performance of the individual investments and compliance of the investment managers with the Association's investment policy.

18 Comparative figures

Certain figures in the comparative financial statements have been reclassified to conform to the presentation of the current year's financial statements.