



2016-2017 Audited Financials

CALEDON COMMUNITY SERVICES

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017



M O R B Y M O N T E I T H

PROFESSIONAL CORPORATION

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Caledon Community Services:

We have audited the accompanying financial statements of Caledon Community Services, which comprise the statement of financial position as at March 31, 2017 and the statements of operations and net assets and cash flows for the year ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

In common with many not-for-profit organizations, Caledon Community Services derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Caledon Community Services. Therefore, we were not able to determine whether, as at and for the years ended March 31, 2017 and March 31, 2016, any adjustments might be necessary to fundraising revenue, excess of revenues over expenses reported in the statement of operations, excess of revenues over expenses reported in the statement of cash flows and current assets and net assets reported in the statements of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2016.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Caledon Community Services as at March 31, 2017 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.

June 12, 2017
Bolton, Ontario

Morby Monteith Professional Corporation

Chartered Professional Accountants, Chartered Accountants

Authorized to practise public accounting by the Chartered Professional Accountants of Ontario


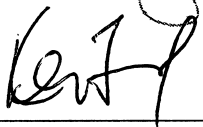
CALEDON COMMUNITY SERVICES

STATEMENT OF FINANCIAL POSITION

As at March 31,	2017 \$	2016 \$
ASSETS		
Current assets		
Cash and cash equivalents	681,446	1,157,077
Short-term investments (note 2)	1,131,987	1,207,750
Accounts receivable	353,337	267,910
Prepaid expenses	39,624	43,002
	2,206,394	2,675,739
Capital assets (note 3)	1,563,209	929,618
Long-term investments (note 4)	262,046	140,912
	4,031,649	3,746,269
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	817,089	626,321
Deferred contributions (note 6)	246,023	183,150
	1,063,112	809,471
Deferred lease inducements (note 7)	92,206	10,152
Deferred capital contributions (note 8)	829,295	876,772
	1,984,613	1,696,395
Net assets	2,047,036	2,049,874
	4,031,649	3,746,269

COMMITMENTS, CONTINGENCIES AND GUARANTEES (note 19)

SIGNED ON BEHALF OF THE BOARD

Director 

Director

The accompanying notes are an integral part of these financial statements

CALEDON COMMUNITY SERVICES

STATEMENT OF OPERATIONS AND NET ASSETS

Year ended March 31	2017 \$	2016 \$
REVENUE		
Provincial government funding (note 9)	4,350,405	4,141,113
Fundraising, net (note 10)	1,068,003	953,115
Program fees (note 11)	707,386	699,436
Evolve Community Stores - retail	624,679	690,404
Federal government funding (note 12)	533,947	492,823
Region of Peel government funding (note 13)	315,280	336,340
United Way of Peel Region funding	130,900	130,900
Miscellaneous income (note 14)	92,260	64,059
Town of Caledon funding (note 15)	68,769	83,561
Rental income	53,151	52,589
Partnership funding (note 16)	33,075	33,075
	7,977,855	7,677,415
EXPENSES		
Salaries, wages and benefits	5,472,412	5,279,191
Community assistance (note 17)	655,252	547,020
Occupancy costs	529,209	476,020
Program travel (note 18)	370,468	326,986
Amortization of capital assets	358,779	363,430
Office supplies and general	107,455	88,613
Equipment	83,866	45,526
IT support	65,702	65,482
Professional fees	61,724	90,715
Communications	57,341	57,246
Advertising and promotion	56,056	38,476
Repairs and maintenance	50,794	48,104
Program supplies	40,668	43,025
Partnership funding (note 16)	33,075	33,075
Training	16,624	17,256
Insurance	13,876	15,596
Memberships	7,392	7,565
	7,980,693	7,543,326
Excess of revenues over expenses (expenses over revenues)	(2,838)	134,089
Net assets, beginning of year	2,049,874	1,915,785
Net assets, end of year	2,047,036	2,049,874

The accompanying notes are an integral part of these financial statements

CALEDON COMMUNITY SERVICES

STATEMENT OF CASH FLOWS

Year ended March 31	2017 \$	2016 \$
OPERATING ACTIVITIES		
Excess of revenues over expenses (expenses over revenues)	(2,838)	134,089
Adjustments for non-cash items:		
Food and other in-kind donations revenue	(519,438)	(399,771)
Food and other in-kind donations expenses	519,438	399,771
Amortization of capital assets	358,779	363,430
Amortization of deferred capital contributions	(355,649)	(363,297)
Gain on disposal of capital assets	(704)	(218)
Net change in non-cash working capital items:		
(Increase) decrease in:		
Accounts receivable	(85,427)	(4,099)
Prepaid expenses	3,378	(26,793)
Increase (decrease) in:		
Accounts payable and accrued liabilities	190,768	24,274
Deferred contributions	62,873	(7,720)
Deferred lease inducements	82,054	-
Cash flows from operating activities	253,234	119,666
INVESTING ACTIVITIES		
Cash used to purchase capital assets	(905,006)	(210,761)
Proceeds on disposal of capital assets	704	218
Cash provided by (used to) disposal (purchase) of short and long-term investments	(45,371)	881,390
Cash flows from investing activities	(949,673)	670,847
FINANCING ACTIVITIES		
Cash contributions received from Central West LHIN restricted for capital asset purchases	220,808	157,782
Cash flows from financing activities	220,808	157,782
Net increase (decrease) in cash and cash equivalents	(475,631)	948,295
Cash and cash equivalents at beginning of year	1,157,077	208,782
Cash and cash equivalents at end of year	681,446	1,157,077
Supplementary information:		
Contributed capital assets during the year	87,364	13,000

The accompanying notes are an integral part of these financial statements

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2017

PURPOSE OF THE ORGANIZATION

Caledon Community Services (CCS) is a multi-service community-impact organization that addresses the health, employment, business development, transportation, resettlement and social service needs of individuals and families in the Town of Caledon and surrounding communities. CCS is a not-for-profit corporation incorporated in 1978 under the Canada Corporations Act and is a registered charity designated as a charitable organization under the Income Tax Act (Canada) and is exempt from income taxes under paragraph 149(1)(f).

CCS has grown substantially since inception, responding to community needs with innovative services and activities. This past year the Organization responded to the always present challenge of sustainability, a problem that is inherent in all not-for-profit community services where human services gaps exist but sustainable funding to address them does not. CCS completed an extensive business case for the closing of Chez Thrift, a 6,000 sq. ft. store, and the launch of Evolve Clothing, a 15,000 sq. ft. store. The business case was grounded in sound analytics, required a capital campaign and a substantial investment from CCS' reserve funding. These things all came together to create Evolve Clothing (and a second existing store rebranded as Evolve Lifestyle), innovative social purpose enterprises that will serve Caledon for years to come. 100% of sales in both of these stores are reinvested back into the Caledon community.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations applied on a basis consistent with the prior year. Outlined below are the significant accounting policies:

Cash and cash equivalents

Cash is defined as cash on hand, cash on deposit, and short-term deposits with maturity dates of less than 90 days, net of cheques issued and outstanding at the reporting date.

Donated inventory

The Organization receives contributions of goods and materials (inventory) and processes these contributions as merchandise available for sale in its community stores. The Organization believes that the inventory of contributed goods and materials does not possess an attribute that is easily measurable or verifiable with sufficient reliability to determine an inventory value at the time of donation. Accordingly, contributed goods and materials inventory have not been reflected in the accompanying financial statements.

Capital assets

The costs of capital assets are capitalized upon meeting the criteria for recognition as a capital asset, otherwise, costs are expensed as incurred. Contributed capital assets are recorded at their estimated fair value at the date of contribution. The rates and bases of amortization applied to write off the cost less estimated salvage value of capital assets over their estimated lives are as follows:

Computer equipment and software	3 years straight line
Furniture and equipment	5 years straight line
Vehicles	5 years straight line
Leasehold improvements	term of lease

No amortization is taken on construction in progress until the construction of the asset is substantially completed.

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets (continued)

Capital assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be fully recoverable. An impairment loss is recognized when and to the extent that management assesses the future useful life of an asset to be less than originally estimated.

Deferred lease inducements

Deferred lease inducements represent the value of rent-free periods received. Lease inducements are deferred and amortized on a straight line basis over the term of the lease and the amortization is recorded as a reduction of occupancy costs expense for the year.

Deferred contributions

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed.

Revenue recognition

The Organization follows the deferral method of revenue recognition. Its principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

- i) Revenue from grants, donations and all other fundraising sources are recorded in the period they are received unless the contribution has special restrictions on its use imposed by the donors.
- ii) Restricted contributions related to expenses in future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. 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. Revenue received for specific events is recorded in the period in which the event takes place.
- iii) Food and other in-kind donations are recognized when delivered to the Organization. The food is valued at the average annual price per pound established by the Canadian Association of Food Banks of \$2.50 per pound. In 2017 management estimates that approximately 132,000 pounds of food at \$2.50 per pound were recovered and delivered to the community (114,000 pounds at \$2.50 per pound in 2016).
- iv) Revenue on investments is recorded when earned. Realized and unrealized gains and losses are recognized as investment income when they arise. Related transaction costs are expensed as incurred.
- v) Contributions designated for the purchase of capital assets are recorded as revenue in the same period the related capital assets are charged to operations.

Contributed services and goods

a) Volunteerism

Volunteers contribute many hours per year to assist CCS in carrying out its operating activities. Management estimates a total of 306 volunteers contributed a total of 26,100 hours for the year ended March 31, 2017. Because of the difficulty in determining their fair value, services contributed by volunteers are not recognized in the financial statements.

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed services and goods (continued)

b) Donated Food, Materials and Services

CCS receives significant donations of food, toys and other items from the community that are distributed through its Care and Counselling Program. CCS records donated goods and services in those cases where there is a measurable basis for arriving at fair value.

c) Donated Materials and Services - The Exchange

The Exchange is a community hub located at 55 Healy Road in Bolton, Ontario designed to bring the community together around nutritious food and community programs. Donated materials and service costs during the construction of the Exchange have been capitalized as leasehold improvements at their estimated fair market value at the date of contribution where such fair value is determinable. Donated furniture and equipment used in the operations of The Exchange have been capitalized as furniture and equipment at their estimated fair market value at the date of contribution where such fair value is determinable.

Use of estimates

The preparation of the Organization's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of restricted assets and liabilities at the date of the financial statements and the amounts of revenues and expenses reported during the period. Actual results may differ from those estimates. Key areas of estimation where management has made difficult, complex or subjective judgments, often as a result of matters that are inherently uncertain, are the useful life and amortization of assets, accrued liabilities and donations in-kind. All estimates are reviewed periodically and adjustments are made to the statement of operations as appropriate in the year they become known.

Financial instruments

Financial instruments include cash, short-term investments, accounts receivable, long-term investments and accounts payable and accrued liabilities. Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, they are reported at cost or amortized cost less impairment, if applicable. Some short-term and long-term investments are fixed rate guaranteed investment certificates, which are measured at fair value calculated at original purchase price plus accrued interest. Some short-term investments are mutual funds, which are measured at fair value. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are charged to the financial instrument for those measured at amortized cost.

Comparative figures

Certain of the prior year's figures have been reclassified to conform with the current year's presentation.

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2017

2. SHORT-TERM INVESTMENTS

	2017 \$	2016 \$
Money market funds:	5,331	8,522
Guaranteed Investment Certificates:		
Non-redeemable, bearing annual interest of 2.25%, maturing August 14, 2017	112,377	109,904
Non-redeemable, bearing annual interest of 2.83%, maturing August 12, 2016	-	114,930
Mutual Funds, measured at fair value:		
Fixed income funds	778,764	752,973
Domestic equity funds	135,189	125,806
Foreign equity funds	100,326	95,615
	1,131,987	1,207,750

3. CAPITAL ASSETS

	Cost \$	Accumulated Amortization \$	Net Book Value 2017 \$	Net Book Value 2016 \$
Computer equipment and software	506,338	427,979	78,359	94,744
Furniture and equipment	345,651	265,924	79,727	112,648
Vehicles	887,990	458,998	428,992	267,051
Leasehold improvements	1,043,378	714,556	328,822	403,413
Construction in progress	647,309	-	647,309	51,762
	3,430,666	1,867,457	1,563,209	929,618

4. LONG-TERM INVESTMENTS

	2017 \$	2016 \$
Non-redeemable Guaranteed Investment Certificate, bearing annual interest of 2.59%, maturing August 13, 2018	114,715	111,818
Non-redeemable Guaranteed Investment Certificate, bearing annual interest of 2.65%, maturing November 16, 2019	29,865	29,094
Non-redeemable Guaranteed Investment Certificate, bearing annual interest of 1.86%, maturing August 12, 2021	117,466	-
	262,046	140,912

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2017

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017 \$	2016 \$
Trade and accrued liabilities	753,846	568,043
Payroll taxes	48,448	43,483
Health taxes and workers' safety insurance premiums	14,795	14,795
	817,089	626,321

6. DEFERRED CONTRIBUTIONS

	2017 \$	2016 \$
Balance, beginning of year	183,150	190,870
Add: amounts received during the year	378,031	217,458
Less: amounts recognized as revenue in the year	(315,158)	(225,178)
Balance, end of year	246,023	183,150

7. DEFERRED LEASE INDUCEMENTS

Deferred lease inducements are created when a landlord provides for leasehold improvement allowances and collects lower monthly rental amounts in the early period of a lease term as part of the lease agreement. CCS records these allowances as an obligation and amortizes the amount to occupancy costs expense on the statement of operations on a straight-line basis over the term of the lease of 10 years.

Details of lease inducements are as follows:

	2017 \$	2016 \$
Balance, beginning of year	10,152	-
Add: Lease inducements received	95,574	10,152
Less: Amortization to Occupancy costs expense	(13,520)	-
Balance, end of year	92,206	10,152

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2017

8. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital grants and capital donations represent the unamortized amounts received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations and net assets.

	2017 \$	2016 \$
Balance, beginning of year	876,772	1,069,287
Central West LHIN contributions received in cash to purchase capital assets during the year	220,808	157,782
Contributed capital assets during the year	87,364	13,000
Less: amounts amortized to revenue	(355,649)	(363,297)
Balance, end of year	829,295	876,772

Amortization of deferred capital contributions is comprised of funds from the following bodies:

	2017 \$	2016 \$
Provincial government:		
Central West LHIN (note 9)	110,328	112,570
Ministry of Training, Colleges and Universities (note 9)	321	1,213
Headwaters Healthcare Centre (note 9)	12,547	13,587
Fundraising - community donations (note 10)	182,112	185,029
Federal government:		
Human Resources and Social Development Canada (note 12)	76	457
Citizenship and Immigration Canada (note 12)	-	1,524
Region of Peel Government Funding (note 13)	48,905	46,082
Town of Caledon Funding (note 15)	1,264	1,685
Other (note 14)	96	1,150
	355,649	363,297

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2017

9. PROVINCIAL GOVERNMENT FUNDING

	2017 \$	2016 \$
<u>Central West LHIN:</u>		
- SH - Supportive Housing	2,102,882	2,099,145
- CSS - Community Support Services	1,086,870	1,086,918
- one-time funding	40,495	39,302
- amortization of deferred capital contributions	110,328	112,570
	3,340,575	3,337,935

Total Central West LHIN one-time funding received for the year was \$261,303 (2016 - \$197,084) and is reported as follows:

	2017 \$	2016 \$
- one-time funding revenue (see above)	40,495	39,302
- deferred capital contributions (note 8)	220,808	157,782
	261,303	197,084

Ministry of Training, Colleges and Universities:

- Jobs Caledon contract	513,207	501,615
- Youth Job Connection Fund	196,621	69,294
- Canada-Ontario Job Grant	76,152	40,538
- amortization of deferred capital contributions	321	1,213
- Youth Employment Fund	-	20,159
	786,301	632,819

Headwaters Healthcare Centre:

- Caledon Specialist Clinic	156,772	156,772
- amortization of deferred capital contributions	12,547	13,587
	169,319	170,359

Ministry of Health and Long-Term Care:

- other agencies	7,679	-
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Ministry of Transportation:

- Community Transportation Pilot Project	46,531	-
	4,350,405	4,141,113

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2017

10. FUNDRAISING, NET

	2017 \$	2016 \$
Revenue:		
Food donations	330,280	285,484
Santa Fund	229,904	230,150
Home Gala	236,406	69,703
Other community donations	155,042	146,790
Youth programs	53,767	56,976
3rd Party events	12,830	36,261
Amortization of deferred capital contributions	182,112	185,029
	1,200,341	1,010,393
Expenses:		
Home Gala	110,726	33,918
Santa Fund	10,007	9,029
Miscellaneous	6,341	3,793
Youth programs	5,264	10,538
	132,338	57,278
Net revenue from fundraising	1,068,003	953,115

11. PROGRAM FEES

	2017 \$	2016 \$
Region of Peel Transhelp	377,709	355,778
Region of Peel Passenger Assistance Program	181,195	206,663
Long-Term Care Transportation and wellness	102,310	99,910
Transitional Care Centre	27,055	29,251
Ministry of Transportation Community Transportation Pilot Project	11,898	-
Lifeline	6,819	7,359
Other	400	475
	707,386	699,436

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2017

12. FEDERAL GOVERNMENT FUNDING

	2017 \$	2016 \$
<u>Human Resources and Social Development Canada:</u>		
- Life for Youth grant	332,297	311,138
- Summer Career Placements	20,951	8,949
- amortization of deferred capital contributions	76	457
	353,324	320,544
<u>Citizenship and Immigration Canada:</u>		
- Language Instruction for Newcomers to Canada (L.I.N.C.) grant	180,623	170,755
- amortization of deferred capital contributions	-	1,524
	180,623	172,279
	533,947	492,823

13. REGION OF PEEL GOVERNMENT FUNDING

	2017 \$	2016 \$
Collaborative	178,551	192,575
Sustainability	84,221	77,487
Dedicated Gas Tax	3,603	20,196
<u>Amortization of deferred capital contributions</u>	48,905	46,082
	315,280	336,340

14. MISCELLANEOUS INCOME

	2017 \$	2016 \$
Investment income - realized	36,005	23,616
Government sales tax rebates	32,290	34,707
Investment income - unrealized	22,165	1,733
Partnership funding administration fees	1,000	1,000
Gain on disposal of capital assets	704	218
Amortization of deferred capital contributions -other	96	1,150
<u>Other</u>	-	1,635
	92,260	64,059

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2017

15. TOWN OF CALEDON GOVERNMENT FUNDING

	2017 \$	2016 \$
Small Business Enterprise Centre	39,922	47,613
Property tax rebate	25,930	26,669
Amortization of deferred capital contributions	1,264	1,685
Dedicated Gas Tax	903	4,969
Community grants	750	2,625
	68,769	83,561

16. PARTNERSHIP FUNDING

	2017 \$	2016 \$
<u>Partnership funding received and recognized as revenue:</u>		
Ministry of Health and Long-Term Care - Caledon Seniors Centre	33,075	33,075
<u>Funding transfers to partnership organizations recognized as expense</u>	<u>(33,075)</u>	<u>(33,075)</u>

17. COMMUNITY ASSISTANCE EXPENSES

	2017 \$	2016 \$
Food recovery and delivery	330,280	285,484
Employer incentives	155,400	109,274
Other in-kind	71,537	58,105
Allowances	22,157	20,361
Transportation	20,167	14,751
Recreation and camp fees	16,559	14,742
Other	14,816	18,244
Gift cards in-kind	14,372	16,764
Utilities	9,964	9,295
	655,252	547,020

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2017

18. PROGRAM TRAVEL EXPENSES

	2017 \$	2016 \$
Clients	345,658	301,996
Staff	24,810	24,990
	370,468	326,986

19. COMMITMENTS, CONTINGENCIES AND GUARANTEES

- a) The Organization occupies leased premises for its head office, the Evolve retail stores, the Transitional Care Centre, the Exchange and the Caledon Specialist Clinic under various operating leases expiring at dates up to February 2026. At March 31, 2017, the Company is committed to minimum annual lease payments under operating leases as follows:

2018	\$ 300,173
2019	260,968
2020	258,338
2021	268,775
2022	271,976
2023 and thereafter	<u>626,117</u>
	<u>\$ 1,986,347</u>

The annual lease payments for the various premises exclude maintenance, property taxes, insurance and other operating costs.

Subsequent to the year-end, the Organization signed an agreement to renew the Exchange facilities. The term of this renewal is from May 2017 through April 2022, with future minimum lease payments under operating leases as follows:

2018	\$ 52,942
2019	57,755
2020	57,755
2021	57,755
2022	57,755
2023	<u>4,813</u>
	<u>\$ 288,775</u>

- b) In the normal course of business, CCS enters into agreements that meet the definition of a guarantee. The Organization's primary guarantees subject to disclosure requirements are as follows:
- i) Indemnity has been provided to all directors and or officers of CCS for various items including, but not limited to, all costs to settle suits or actions due to association with the Organization, subject to certain restrictions. CCS has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of the Organization. The maximum amount of any potential future payment cannot be reasonably estimated.

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2017

19. COMMITMENTS, CONTINGENCIES AND GUARANTEES (continued)

- ii) In the normal course of business, CCS has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require CCS to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursements cannot be estimated.

The nature of these indemnification agreements prevents CCS from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, CCS has not made any significant payments under such or similar indemnification agreements and, therefore, no amount has been accrued in the statement of financial position with respect to these agreements.

20. FINANCIAL INSTRUMENT AND RISK MANAGEMENT

CCS is exposed to various risks through its financial instruments. The Board of Directors monitors compliance with risk management policies and reviews risk management procedures on an annual basis. The following are those financial instruments considered particularly significant and their related financial risks:

i) 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 Organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments. The Organization manages the interest risk exposure of its fixed-income investments by investing in instruments with varying terms to maturity. The range of maturities contained in the portfolio reduces the overall sensitivity to interest rate changes.

The Organization's cash includes amounts on deposit with financial institutions that earn interest at market rates. The Organization manages its exposure to the interest risk of its cash by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the results of operations.

ii) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk arising from its accounts receivable. The majority of receivables are due from government ministries or other government entities. Credit risk is limited due to the stability of these entities.

iii) Liquidity risk

Liquidity risk is the risk of being unable to meet a demand for cash or fund its obligations as they come due. The Organization meets its liquidity requirements by preparing and monitoring forecasts of cash flows from operations, anticipating investing and financing activities and by holding assets that can be readily converted into cash.