

The background of the entire page is a dense, overlapping field of coins. The coins are a deep purple color, matching the overall theme. They are of various denominations and are scattered across the frame, creating a textured, financial backdrop. The text is centered over this background.

2017-2018 Audited Financials

CALEDON COMMUNITY SERVICES

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018



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, 2018 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 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.

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, 2018 and March 31, 2017, 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, 2017.

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, 2018 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, 2018
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,	2018 \$	2017 \$
ASSETS		
Current assets		
Cash and cash equivalents	578,770	681,446
Short-term investments (note 2)	1,159,240	1,131,987
Accounts receivable	239,534	353,337
Prepaid expenses	34,961	39,626
	2,012,505	2,206,396
Capital assets (note 3)	1,426,184	1,563,207
Long-term investments (note 4)	150,308	262,046
	3,588,997	4,031,649
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	575,461	817,089
Deferred contributions (note 6)	281,925	246,023
	857,386	1,063,112
Deferred lease inducements (note 7)	86,650	92,206
Deferred capital contributions (note 8)	624,071	829,295
	1,568,107	1,984,613
Net assets	2,020,890	2,047,036
	3,588,997	4,031,649

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	2018 \$	2017 \$
REVENUE		
Provincial government funding (note 9)	4,325,543	4,350,405
Fundraising, net (note 10)	1,165,015	1,068,003
Program fees (note 11)	734,085	707,386
Evolve Community Stores - retail	696,191	624,679
Federal government funding (note 12)	578,389	533,947
Region of Peel government funding (note 13)	296,269	315,280
United Way of Peel Region funding	130,900	130,900
Miscellaneous income (note 14)	67,477	92,260
Rental income	52,089	53,151
Partnership funding (note 15)	33,241	33,075
Town of Caledon funding (note 16)	31,878	68,769
	8,111,077	7,977,855
EXPENSES		
Salaries, wages and benefits	5,646,612	5,472,412
Community assistance (note 17)	646,970	655,252
Amortization of capital assets	450,724	358,779
Occupancy costs	438,130	529,209
Program travel (note 18)	365,702	370,468
Office supplies and general	98,282	107,455
Equipment	83,711	83,866
IT support	68,788	65,702
Communications	66,654	57,341
Repairs and maintenance	63,727	50,794
Program supplies	48,188	40,668
Advertising and promotion	46,424	56,056
Professional fees	42,540	61,724
Partnership funding (note 15)	33,241	33,075
Insurance	16,775	13,876
Training	12,249	16,624
Memberships	8,506	7,392
	8,137,223	7,980,693
Excess of expenses over revenues	(26,146)	(2,838)
Net assets, beginning of year	2,047,036	2,049,874
Net assets, end of year	2,020,890	2,047,036

The accompanying notes are an integral part of these financial statements

CALEDON COMMUNITY SERVICES

STATEMENT OF CASH FLOWS

Year ended March 31	2018 \$	2017 \$
OPERATING ACTIVITIES		
Excess of expenses over revenues	(26,146)	(2,838)
Adjustments for non-cash items:		
Food and other in-kind donations revenue	(509,166)	(519,438)
Food and other in-kind donations expenses	509,166	519,438
Amortization of capital assets	450,724	358,779
Amortization of deferred capital contributions	(353,495)	(355,649)
Gain on disposal of capital assets	(2,618)	(704)
Net change in non-cash working capital items:		
(Increase) decrease in:		
Accounts receivable	113,803	(85,427)
Prepaid expenses	4,665	3,378
Increase (decrease) in:		
Accounts payable and accrued liabilities	(241,628)	190,768
Deferred contributions	35,902	62,873
Deferred lease inducements	(5,556)	82,054
Cash flows from operating activities	(24,349)	253,234
INVESTING ACTIVITIES		
Cash used to purchase capital assets	(313,701)	(905,006)
Proceeds on disposal of capital assets	2,618	704
Cash provided by (used to) disposal (purchase) of short and long-term investments	84,485	(45,371)
Cash flows from investing activities	(226,598)	(949,673)
FINANCING ACTIVITIES		
Cash contributions received from funders restricted for capital asset purchases	148,271	220,808
Cash flows from financing activities	148,271	220,808
Net decrease in cash and cash equivalents	(102,676)	(475,631)
Cash and cash equivalents at beginning of year	681,446	1,157,077
Cash and cash equivalents at end of year	578,770	681,446
Supplementary information:		
Contributed capital assets during the year	-	87,364

The accompanying notes are an integral part of these financial statements

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2018

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 maintained its commitment to address gaps in services for those in our community who are underserved. It launched Transitions, an employment training program for adults challenged with disabilities while also strengthening the collaborative network of various organizations that it supports in the Exchange, Caledon's community hub. It created a focus on youth and will continue this in the year ahead through increased programming to combat youth isolation.

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, 2018

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 2018 management estimates that approximately 142,000 pounds of food at \$2.50 per pound were recovered and delivered to the community (132,000 pounds at \$2.50 per pound in 2017).
- 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 698 volunteers contributed a total of 25,257 hours for the year ended March 31, 2018. 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, 2018

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 Healey 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.

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2018

2. SHORT-TERM INVESTMENTS

	2018 \$	2017 \$
Guaranteed Investment Certificates:		
Non-redeemable, bearing annual interest of 2.25%, maturing August 14, 2017	-	112,377
Non-redeemable, bearing annual interest of 2.59%, maturing August 13, 2018	117,686	-
Mutual Funds, measured at fair value:		
Money market funds	6,403	5,331
Fixed income funds	798,198	778,764
Domestic equity funds	134,443	135,189
Foreign equity funds	102,510	100,326
	1,159,240	1,131,987

3. CAPITAL ASSETS

	Cost \$	Accumulated Amortization \$	Net Book Value 2018 \$	Net Book Value 2017 \$
Computer equipment and software	535,778	476,846	58,932	78,359
Furniture and equipment	355,309	308,248	47,061	79,726
Vehicles	872,325	480,133	392,192	428,991
Leasehold improvements	1,896,458	968,459	927,999	328,822
Construction in progress	-	-	-	647,309
	3,659,870	2,233,686	1,426,184	1,563,207

4. LONG-TERM INVESTMENTS

	2018 \$	2017 \$
Non-redeemable Guaranteed Investment Certificate, bearing annual interest of 2.59%, maturing August 13, 2018	-	114,715
Non-redeemable Guaranteed Investment Certificate, bearing annual interest of 2.65%, maturing November 16, 2019	30,657	29,865
Non-redeemable Guaranteed Investment Certificate, bearing annual interest of 1.86%, maturing August 12, 2021	119,651	117,466
	150,308	262,046

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2018

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018 \$	2017 \$
Trade and accrued liabilities	558,268	801,785
Health taxes and workers' safety insurance premiums	17,193	15,304
	575,461	817,089

6. DEFERRED CONTRIBUTIONS

	2018 \$	2017 \$
Balance, beginning of year	246,023	183,150
Add: amounts received during the year	710,140	378,031
Less: amounts recognized as revenue in the year	(674,238)	(315,158)
Balance, end of year	281,925	246,023

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:

	2018 \$	2017 \$
Balance, beginning of year	92,206	10,152
Add: Lease inducements received	7,285	95,574
Less: Amortization to Occupancy costs expense	(12,841)	(13,520)
Balance, end of year	86,650	92,206

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2018

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.

	2018 \$	2017 \$
Balance, beginning of year	829,295	876,772
Contributions received in cash to purchase capital assets during the year:		
Central West LHIN	98,271	220,808
Employment and Social Development Canada	50,000	-
Contributed capital assets during the year	-	87,364
Less: amounts amortized to revenue	(353,495)	(355,649)
Balance, end of year	624,071	829,295

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

	2018 \$	2017 \$
Provincial government:		
Central West LHIN (note 9)	141,987	110,328
Ministry of Training, Colleges and Universities (note 9)	283	321
Headwaters Healthcare Centre (note 9)	11,092	12,547
Fundraising - community donations (note 10)	168,552	182,112
Federal government:		
Employment and Social Development Canada (note 12)	-	76
Region of Peel Government Funding (note 13)	26,392	48,905
Other (note 14)	5,189	96
Town of Caledon Funding (note 16)	-	1,264
	353,495	355,649

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2018

9. PROVINCIAL GOVERNMENT FUNDING

	2018 \$	2017 \$
<u>Central West LHIN:</u>		
- SH - Supportive Housing	2,132,238	2,102,882
- CSS - Community Support Services	1,096,024	1,086,870
- one-time funding	22,982	40,495
- Amortization of deferred capital contributions	141,987	110,328
	3,393,231	3,340,575

Total Central West LHIN one-time funding received for the year was \$121,253 (2017 - \$261,303) and is reported as follows:

	2018 \$	2017 \$
- one-time funding revenue (see above)	22,982	40,495
- deferred capital contributions (note 8)	98,271	220,808
	121,253	261,303

Ministry of Training, Colleges and Universities:

- Jobs Caledon contract	434,173	513,207
- Youth Job Connection Fund	113,005	96,621
- Canada-Ontario Job Grant	54,001	76,152
- Amortization of deferred capital contributions	283	321
	601,462	786,301

Headwaters Healthcare Centre:

- Caledon Specialist Clinic	162,896	156,772
- Amortization of deferred capital contributions	11,092	12,547
	173,988	169,319

Ministry of Health and Long-Term Care:

- other agencies	56,862	7,679
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Ministry of Transportation:

- Community Transportation Pilot Project	100,000	46,531
	4,325,543	4,350,405

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2018

10. FUNDRAISING, NET

	2018 \$	2017 \$
Revenue:		
Food donations	354,153	330,280
Santa Fund	269,702	229,904
Other community donations	216,559	155,042
Home for the Holidays Gala	190,127	236,406
Youth programs	57,694	53,767
3rd Party events	22,934	12,830
Amortization of deferred capital contributions	168,552	182,112
	1,279,721	1,200,341
Expenses:		
Home for the Holidays Gala	81,795	110,726
Miscellaneous	13,423	6,341
Youth programs	9,819	5,264
Santa Fund	9,669	10,007
	114,706	132,338
Net revenue from fundraising	1,165,015	1,068,003

11. PROGRAM FEES

	2018 \$	2017 \$
Region of Peel Transhelp	420,388	377,709
Region of Peel Passenger Assistance Program	176,209	181,195
Long-Term Care Transportation and wellness	92,568	102,310
Transitional Care Centre	31,229	27,055
Ministry of Transportation Community Transportation Pilot Project	9,850	11,898
Lifeline	3,541	6,819
Other	300	400
	734,085	707,386

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2018

12. FEDERAL GOVERNMENT FUNDING

	2018 \$	2017 \$
<u>Employment and Social Development Canada:</u>		
- Life for Youth grant	238,613	332,297
- Transitions fund	68,645	-
- Summer Career Placements	41,382	20,951
- Amortization of deferred capital contributions	-	76
	348,640	353,324
<u>Immigration, Refugees and Citizenship Canada:</u>		
- Language Instruction for Newcomers to Canada (L.I.N.C.) grant	229,749	180,623
	229,749	180,623
	578,389	533,947

13. REGION OF PEEL GOVERNMENT FUNDING

	2018 \$	2017 \$
Collaborative	168,322	178,551
Sustainability	89,557	84,221
Dedicated Gas Tax	11,998	3,603
Amortization of deferred capital contributions	26,392	48,905
	296,269	315,280

14. MISCELLANEOUS INCOME

	2018 \$	2017 \$
Government sales tax rebates	32,071	32,290
Investment income - unrealized	19,367	22,165
Investment income - realized	5,732	36,005
Gain on disposal of capital assets	2,618	704
Other	1,500	-
Partnership funding administration fees	1,000	1,000
Amortization of deferred capital contributions - other	5,189	96
	67,477	92,260

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2018

15. PARTNERSHIP FUNDING

	2018 \$	2017 \$
<u>Partnership funding received and recognized as revenue:</u>		
Ministry of Health and Long-Term Care - Caledon Seniors Centre	33,241	33,075
Funding transfers to partnership organizations recognized as expense	(33,241)	(33,075)

16. TOWN OF CALEDON GOVERNMENT FUNDING

	2018 \$	2017 \$
Property tax rebate	27,239	25,930
Dedicated Gas Tax	2,389	903
Community grants	2,250	750
Small Business Enterprise Centre	-	39,922
Amortization of deferred capital contributions	-	1,264
	31,878	68,769

17. COMMUNITY ASSISTANCE EXPENSES

	2018 \$	2017 \$
Food recovery and delivery	354,548	330,280
Employer incentives	105,387	155,400
Other in-kind	94,928	71,537
Gift cards in-kind	18,248	14,372
Allowances	16,786	22,157
Recreation and camp fees	15,446	16,559
Utilities	15,147	9,964
Transportation	13,528	20,167
Other	12,952	14,816
	646,970	655,252

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2018

18. PROGRAM TRAVEL EXPENSES

	2018 \$	2017 \$
Clients	345,603	345,658
Staff	20,099	24,810
	365,702	370,468

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, 2018, the Organization is committed to minimum annual lease payments under operating leases as follows:

2019	\$ 354,097
2020	345,848
2021	356,284
2022	359,485
2023	308,572
2024 and thereafter	<u>364,508</u>
	<u>\$ 2,088,794</u>

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

- 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, 2018

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.