

The background of the image is a dense, overlapping pile of gold coins. The coins are of various denominations, with some showing intricate designs and others appearing as plain gold discs. The lighting is warm, highlighting the metallic sheen of the coins. The text is centered over this background.

2015-2016 Audited Financials

CALEDON COMMUNITY SERVICES

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016



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, 2016 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 generally accepted accounting principles, 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, 2016 and March 31, 2015, 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, 2015.

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, 2016 and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

June 16, 2016
Bolton, Ontario

Marly Monteith Professional Corporation

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

CALEDON COMMUNITY SERVICES

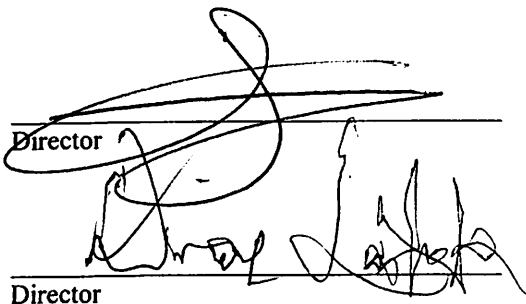
STATEMENT OF FINANCIAL POSITION

As at March 31,	2016 \$	2015 \$
ASSETS		
Current assets		
Cash and cash equivalents	1,157,077	208,782
Short-term investments (note 2)	1,097,847	1,873,485
Accounts receivable	267,910	263,811
Prepaid expenses	43,001	16,208
	2,565,835	2,362,286
Capital assets (note 3)	929,618	1,069,287
Long-term investments (note 4)	250,816	356,568
	3,746,269	3,788,141
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	636,473	612,199
Deferred contributions (note 6)	183,150	190,870
	819,623	803,069
Deferred capital contributions (note 7)	876,772	1,069,287
	1,696,395	1,872,356
Net assets	2,049,874	1,915,785
	3,746,269	3,788,141

COMMITMENTS, CONTINGENCIES AND GUARANTEES (note 18)

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	2016 \$	2015 \$
REVENUE		
Provincial government funding (note 8)	4,141,113	3,869,174
Fundraising, net (note 9)	1,012,305	1,032,693
Program fees (note 10)	699,436	741,527
Federal government funding (note 11)	492,823	540,233
Region of Peel government funding (note 12)	336,340	185,405
United Way of Peel Region funding	130,900	130,000
Town of Caledon funding (note 13)	83,561	93,615
Miscellaneous income (note 14)	62,691	54,516
Rental income	52,589	41,945
Partnership funding (note 15)	33,075	33,075
Ontario Trillium Foundation funding (note 7)	1,150	3,619
Gain on disposal of capital assets	218	46,458
	7,046,201	6,772,260
EXPENSES		
Salaries, wages and benefits	4,862,583	4,558,401
Community assistance (note 16)	547,020	579,312
Amortization of capital assets	363,430	319,025
Program travel (note 17)	321,211	322,360
Occupancy costs	320,135	322,672
Professional fees	88,039	17,216
IT support	64,142	64,306
Office supplies and general	60,429	70,862
Communications	52,518	52,444
Repairs and maintenance	45,598	43,662
Equipment	43,585	63,303
Program supplies	39,839	69,345
Advertising and promotion	34,789	37,317
Partnership funding (note 15)	33,075	33,075
Training	15,184	17,559
Insurance	13,301	13,294
Memberships	7,234	12,801
	6,912,112	6,596,954
Excess of revenues over expenses	134,089	175,306
Net assets, beginning of year	1,915,785	1,740,479
Net assets, end of year	2,049,874	1,915,785

The accompanying notes are an integral part of these financial statements

CALEDON COMMUNITY SERVICES

STATEMENT OF CASH FLOWS

Year ended March 31	2016 \$	2015 \$
OPERATING ACTIVITIES		
Excess of revenues over expenses	134,089	175,306
Adjustments for non-cash items:		
Food and other in-kind donations revenue	(399,771)	(405,694)
Food and other in-kind donations expenses	399,771	405,694
Amortization of capital assets	363,430	319,025
Amortization of deferred capital contributions	(363,297)	(319,025)
Gain on disposal of capital assets	(218)	(46,458)
Net change in non-cash working capital items:		
Decrease in:		
Accounts receivable	(4,099)	(30,905)
Prepaid expenses	(26,793)	(14)
Increase (decrease) in:		
Accounts payable and accrued liabilities	24,274	26,676
Deferred contributions	(7,720)	10,548
Cash flows from operating activities	119,666	135,153
INVESTING ACTIVITIES		
Cash used to purchase capital assets	(210,761)	(239,234)
Proceeds on disposal of capital assets	218	46,458
Cash provided by (used to) disposal (purchase) of short and long-term investments	881,390	(123,814)
Cash flows from investing activities	670,847	(316,590)
FINANCING ACTIVITIES		
Cash contributions received restricted for capital assets	157,782	239,234
Cash flows from financing activities	157,782	239,234
Net increase in cash and cash equivalents	948,295	57,797
Cash and cash equivalents at beginning of year	208,782	150,985
Cash and cash equivalents at end of year	1,157,077	208,782
Supplementary information:		
Contributed capital assets during the year	13,000	-

The accompanying notes are an integral part of these financial statements

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2016

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 without capital share under the laws of the Province of Ontario 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 the community's needs with innovative programs and services. This past year the organization solidified its two newest expansions; the Exchange and the Caledon Specialist Clinic. The Exchange is a community hub that provides food support, nutrition education and myriad activities for all of Caledon's residents. It offers its facilities to many other Caledon organizations to use for their programming, contributing to its vision of being a gathering place for all Caledon residents. The Caledon Specialist Clinic provides local specialist health services through the referral of primary care physicians and also provides Ontario Telemetric via its secure electronic network capabilities.

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 following 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

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.

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2016 management estimates that approximately 110,000 pounds of food at \$2.50 per pound were recovered and delivered to the community (114,000 pounds at \$2.50 per pound in 2015).
- 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 335 volunteers contributed a total of 29,800 hours for the year ended March 31, 2016. Because of the difficulty in determining their fair value, services contributed by volunteers are not recognized in the financial statements.

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.

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2. SHORT-TERM INVESTMENTS

	2016 \$	2015 \$
Money market funds:	8,523	1,763,883
Guaranteed Investment Certificates:		
Non-redeemable, bearing annual interest of 2.83%, maturing August 12, 2016	114,930	-
Non-redeemable, bearing annual interest of 2.55%, maturing August 12, 2015	-	109,602
Mutual Funds, measured at fair value:		
Fixed income funds	752,973	-
Domestic equity funds	125,806	-
Foreign equity funds	95,615	-
	1,097,847	1,873,485

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2016

3. CAPITAL ASSETS

	Cost \$	Accumulated Amortization \$	Net Book Value 2016 \$	Net Book Value 2015 \$
Computer equipment and software	565,551	470,807	94,744	138,764
Furniture and equipment	362,501	249,853	112,648	151,459
Vehicles	630,283	363,232	267,051	222,829
Leasehold improvements	1,041,820	586,645	455,175	556,235
	2,600,155	1,670,537	929,618	1,069,287

4. LONG-TERM INVESTMENTS

	2016 \$	2015 \$
Non-redeemable Guaranteed Investment Certificate, bearing annual interest of 2.83%, maturing August 12, 2016	-	111,758
Non-redeemable Guaranteed Investment Certificate, bearing annual interest of 2.25%, maturing August 14, 2017	109,904	107,479
Non-redeemable Guaranteed Investment Certificate, bearing annual interest of 2.59%, maturing August 13, 2018	111,818	108,988
Non-redeemable Guaranteed Investment Certificate, bearing annual interest of 2.65%, maturing November 16, 2019	29,094	28,343
	250,816	356,568

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016 \$	2015 \$
Trade and accrued liabilities	578,195	569,196
Payroll taxes	43,483	31,762
Health taxes and workers' safety insurance premiums	14,795	11,241
	636,473	612,199

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2016

6. DEFERRED CONTRIBUTIONS

	2016 \$	2015 \$
Balance, beginning of year	190,870	180,322
Add: amounts received during the year	633,258	332,390
Less: amounts recognized as revenue in the year	(640,978)	(321,842)
Balance, end of year	183,150	190,870

7. 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.

	2016 \$	2015 \$
Balance, beginning of year	1,069,287	1,149,078
Contributions received in cash to purchase capital assets during the year	157,782	239,234
Contributed capital assets during the year	13,000	-
Less: amounts amortized to revenue	(363,297)	(319,025)
Balance, end of year	876,772	1,069,287

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

	2016 \$	2015 \$
Provincial government:		
Central West LHIN (note 8)	112,570	78,459
Ministry of Training, Colleges and Universities (note 8)	1,213	2,910
Headwaters Healthcare Centre (note 8)	13,587	13,587
Fundraising - community donations (note 9)	185,029	170,846
Federal government:		
Human Resources and Social Development Canada (note 11)	457	457
Citizenship and Immigration Canada (note 11)	1,524	1,663
Region of Peel Government Funding (note 12)	46,082	46,082
Ontario Trillium Foundation	1,150	3,619
Town of Caledon Funding (note 13)	1,685	1,402
	363,297	319,025

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2016

8. PROVINCIAL GOVERNMENT FUNDING

	2016 \$	2015 \$
<u>Central West LHIN:</u>		
- SH - Supportive Housing	2,442,594	2,380,684
- CSS - Community Support Services	743,469	602,825
- one-time funding	39,302	44,967
- amortization of deferred capital contributions	112,570	78,459
	3,337,935	3,106,935
<u>Ministry of Training, Colleges and Universities:</u>		
- Jobs Caledon contract	501,615	485,450
- Youth Employment Fund	60,697	117,403
- Youth Job Connection Fund	69,294	-
- amortization of deferred capital contributions	1,213	2,910
	632,819	605,763
<u>Headwaters Healthcare Centre:</u>		
- Caledon Specialist Clinic	156,772	142,889
- amortization of deferred capital contributions	13,587	13,587
	170,359	156,476
	4,141,113	3,869,174

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2016

9. FUNDRAISING, NET

	2016 \$	2015 \$
Revenue:		
Community Stores - retail	690,404	672,502
Food donations	285,484	284,095
Santa Fund	230,150	233,775
Other community donations	146,790	119,269
Youth programs	56,976	63,131
Home Gala	39,442	47,812
3rd Party events	36,644	48,150
Garden Foods events	-	28,968
Amortization of deferred capital contributions	185,029	170,846
	1,670,919	1,668,548
Expenses:		
Community Stores - salaries, wages and benefits	416,608	391,830
Community Stores - occupancy costs	155,885	141,948
Community Stores - other	58,721	70,932
Youth programs	10,538	5,972
Santa Fund	9,029	9,823
Miscellaneous	3,793	6,382
Home Gala	3,657	5,939
3rd Party events	383	2,697
Garden Foods events	-	332
	658,614	635,855
Net revenue from fundraising	1,012,305	1,032,693

10. PROGRAM FEES

	2016 \$	2015 \$
Region of Peel Transhelp	355,778	358,316
Region of Peel Passenger Assistance Program	206,663	226,048
Long-Term Care Transportation	99,910	101,124
Transitional Care Centre	29,251	29,431
Lifeline	7,359	26,094
Other	475	514
	699,436	741,527

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2016

11. FEDERAL GOVERNMENT FUNDING

	2016 \$	2015 \$
<u>Human Resources and Social Development Canada:</u>		
- Life for Youth grant	311,138	352,239
- Summer Career Placements	8,949	9,257
- amortization of deferred capital contributions	457	457
	320,544	361,953
<u>Citizenship and Immigration Canada:</u>		
- Language Instruction for Newcomers to Canada (L.I.N.C.) grant	170,755	176,617
- amortization of deferred capital contributions	1,524	1,663
	172,279	178,280
	492,823	540,233

12. REGION OF PEEL GOVERNMENT FUNDING

	2016 \$	2015 \$
Collaborative	192,575	50,498
Sustainability	77,487	73,921
Dedicated Gas Tax	20,196	14,904
Amortization of deferred capital contributions	46,082	46,082
	336,340	185,405

13. TOWN OF CALEDON FUNDING

	2016 \$	2015 \$
Small Business Enterprise Centre (S.B.E.C.) grant	47,613	56,421
Property tax rebate	26,669	24,810
Dedicated Gas Tax	4,969	6,732
Community grants	2,625	4,250
Amortization of deferred capital contributions	1,685	1,402
	83,561	93,615

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2016

14. MISCELLANEOUS INCOME

	2016 \$	2015 \$
Government sales tax rebates	34,707	33,116
Investment income - realized	23,616	20,400
Investment income - unrealized	1,733	-
Other	1,635	-
Partnership funding administration fees	1,000	1,000
	62,691	54,516

15. PARTNERSHIP FUNDING

	2016 \$	2015 \$
<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>

16. COMMUNITY ASSISTANCE EXPENSES

	2016 \$	2015 \$
Food recovery and delivery	285,484	284,095
Employer incentives	109,274	142,867
Other in-kind	58,105	53,502
Allowances	20,361	22,819
Other	18,244	22,261
Gift cards in-kind	16,764	16,174
Transportation	14,751	14,935
Recreation and camp fees	14,742	14,402
Utilities	9,295	8,257
	547,020	579,312

17. PROGRAM TRAVEL EXPENSES

	2016 \$	2015 \$
Clients	296,404	297,222
Staff	24,807	25,138
	321,211	322,360

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2016

18. COMMITMENTS, CONTINGENCIES AND GUARANTEES

- a) The Organization occupies leased premises for its head office, the Chez Thrift and ReUstore 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, 2016, the Company is committed to minimum annual lease payments under operating leases as follows:

2017	\$ 361,621
2018	300,596
2019	177,068
2020	93,508
2021	102,948
2022 and thereafter	<u>493,293</u>
	<u>\$ 1,529,034</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.
- 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.

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2016

19. 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.

It is, therefore, management's opinion that the organization's financial instruments are not exposed to significant financial risks.