
CALEDON COMMUNITY SERVICES

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014



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, 2014 and the statements of operations and net assets and cash flows for the year ended, and 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 donations and 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 the Caledon Community Services and we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, cash flows from operations, assets and net assets as at and for the year ended March 31, 2014.

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, 2014 and its results of operations and its cash flows for the year ended March 31, 2014 in accordance with Canadian accounting standards for not-for-profit organizations.

Bolton, Ontario
June 13, 2014

A handwritten signature in black ink that reads "Morby Monteith Professional Corporation". The signature is written in a cursive, flowing style.

**Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants**


CALEDON COMMUNITY SERVICES


STATEMENT OF FINANCIAL POSITION

As at March 31,	2014 \$	2013 \$
ASSETS		
Current assets		
Cash	150,985	204,243
Short-term investments (note 2)	1,679,329	1,369,314
Accounts receivable	232,906	224,012
Prepaid expenses	16,194	15,318
	2,079,414	1,812,887
Capital assets (note 3)	1,149,078	414,949
Long-term investments (note 4)	426,910	448,565
	3,655,402	2,676,401
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	585,523	355,184
Deferred contributions (note 6)	180,322	376,610
	765,845	731,794
Deferred capital contributions (note 7)	1,149,078	380,722
	1,914,923	1,112,516
Net assets	1,740,479	1,563,885
	3,655,402	2,676,401

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	2014 \$	2013 \$
REVENUE		
Provincial government funding (note 8)	3,436,889	2,940,998
Fundraising, net (note 9)	955,684	595,743
Program fees (note 10)	736,799	675,302
Federal government funding (note 11)	553,427	680,254
Region of Peel government funding (note 12)	171,108	176,618
United Way of Peel Region funding	91,263	88,212
Town of Caledon funding (note 13)	81,024	68,563
Miscellaneous income (note 14)	59,071	68,109
Rental income	38,384	41,929
Partnership funding (note 15)	33,075	33,075
Ontario Trillium Foundation funding (note 7)	19,713	20,461
	6,176,437	5,389,264
EXPENSES		
Salaries, wages and benefits	4,061,158	3,816,106
Community assistance (note 16)	498,640	260,953
Program travel (note 17)	366,503	301,810
Occupancy costs	314,695	258,547
Amortization of capital assets	261,702	163,562
Office supplies and general	152,570	89,799
Program supplies	62,137	56,182
IT support	61,300	49,847
Communications	42,036	31,200
Advertising and promotion	41,446	31,780
Repairs and maintenance	36,609	24,606
Partnership funding (note 15)	33,075	33,075
Professional fees	20,671	20,525
Training	20,076	17,645
Insurance	10,742	9,708
Memberships	8,727	5,209
Equipment	7,756	3,258
Loss on disposal of capital assets	-	166
	5,999,843	5,173,978
Excess of revenues over expenses	176,594	215,286
Net assets, beginning of year	1,563,885	1,348,599
Net assets, end of year	1,740,479	1,563,885

The accompanying notes are an integral part of these financial statements

CALEDON COMMUNITY SERVICES

STATEMENT OF CASH FLOWS

Year ended March 31	2014 \$	2013 \$
OPERATING ACTIVITIES		
Excess of revenues over expenses	176,594	215,286
Adjustments for non-cash items:		
Food and other in-kind donations revenue	(382,440)	(107,037)
Food and other in-kind donations expenses	382,440	107,037
Amortization of capital assets	261,702	163,562
Amortization of deferred capital contributions	(261,574)	(159,770)
Loss on disposal of capital assets	-	166
Net change in non-cash working capital items:		
(Increase) decrease in:		
Accounts receivable	(8,894)	91,237
Prepaid expenses	(875)	23,861
Increase (decrease) in:		
Accounts payable and accrued liabilities	230,339	(85,918)
Deferred contributions	(196,288)	191,103
Cash flows from operating activities	201,004	439,527
INVESTING ACTIVITIES		
Cash used to purchase capital assets	(487,796)	(183,343)
Cash used to purchase short and long-term investments	(288,362)	(387,402)
Cash flows from investing activities	(776,158)	(570,745)
FINANCING ACTIVITIES		
Cash contributions received restricted for capital assets	521,896	154,200
Net increase (decrease) in cash	(53,258)	22,982
Cash at beginning of year	204,243	181,261
Cash at end of year	150,985	204,243
Supplementary information:		
Contributed capital assets during the year	508,034	-

The accompanying notes are an integral part of these financial statements

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2014

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 was incorporated in 1978 as a non-profit corporation without capital share under the laws of the Province of Ontario and was designated as a registered charitable organization in 1971.

CCS has grown substantially in the past 43 years, responding to the community's needs with innovative programs and services. This past year the organization added the Exchange and the Caledon Specialist Clinic to its menu of community resources. The Exchange is a community hub that provides food support, nutrition education and myriad activities for all of Caledon's residents. It offers its resources 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 Telemedicine 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:

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 of food established by the Canadian Association of Food Banks of \$2.50 per pound. In 2014 management estimates that approximately 115,000 pounds of food were recovered and delivered to the community (10,000 pounds at \$2.50 per pound in 2013).
- 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.

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.

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Contributed services and goods

a) Volunteerism

Volunteers contribute many hours per year to assist CCS in carrying out its operating activities. 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, 2014

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. 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

Short-term investments consist of cash equivalent T-Bill mutual funds and one term deposit with an interest rate of 2.41% and maturity of August 12, 2014 (2013 - two term deposits with interest rates of 2.23% and 4% and maturities of June 24, 2013 and August 12, 2013).

3. CAPITAL ASSETS

	Cost	Amortization	Net Book Value	Net Book Value
	\$	\$	2014	2013
	\$	\$	\$	\$
Computer equipment and software	460,929	372,333	88,596	77,410
Furniture and equipment	319,936	160,412	159,524	49,463
Vehicles	553,981	341,088	212,893	225,802
Leasehold improvements	959,122	271,057	688,065	62,274
	2,293,968	1,144,890	1,149,078	414,949

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2014

4. LONG-TERM INVESTMENTS

	2014 \$	2013 \$
Non-redeemable Guaranteed Investment Certificate, bearing annual interest of 2.41%, maturing August 12, 2014	-	103,986
Guaranteed Investment Certificate, bearing annual interest of 2.90%, maturing November 16, 2014	-	31,868
Non-redeemable Guaranteed Investment Certificate, bearing annual interest of 2.55%, maturing August 12, 2015	106,877	104,219
Non-redeemable Guaranteed Investment Certificate, bearing annual interest of 2.83%, maturing August 12, 2016	108,682	105,691
Non-redeemable Guaranteed Investment Certificate, bearing annual interest of 2.25%, maturing August 14, 2017	105,114	102,801
Non-redeemable Guaranteed Investment Certificate, bearing annual interest of 2.59%, maturing August 13, 2018	106,237	-
	426,910	448,565

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2014 \$	2013 \$
Trade and accrued liabilities	547,383	326,227
Payroll taxes	24,815	18,439
Health taxes and workers' safety insurance premiums	13,325	10,518
	585,523	355,184

6. DEFERRED CONTRIBUTIONS

	2014 \$	2013 \$
Balance, beginning of year	376,610	185,507
Add: amounts received or receivable during the year	316,964	376,912
Less: amounts recognized as revenue in the year	(513,252)	(185,809)
Balance, end of year	180,322	376,610

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2014

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.

	2014	2013
	\$	\$
Balance, beginning of year	380,722	386,292
Contributions received in cash to purchase capital assets during the year	521,896	154,200
Contributed capital assets during the year	508,034	-
Less: amounts amortized to revenue	(261,574)	(159,770)
Balance, end of year	1,149,078	380,722

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

	2014	2013
	\$	\$
Provincial government:		
Central West LHIN (note 8)	99,839	105,499
Ministry of Training, Colleges and Universities (note 8)	8,062	13,824
Headwaters Healthcare Centre (note 8)	6,962	-
Fundraising - community donations (note 9)	85,254	9,071
Federal government:		
Human Resources and Social Development Canada (note 11)	381	6,969
Citizenship and Immigration Canada (note 11)	1,663	2,746
Region of Peel Government Funding (note 12)	38,500	-
Ontario Trillium Foundation	19,713	20,461
Town of Caledon Funding (note 13)	1,200	1,200
	261,574	159,770

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2014

8. PROVINCIAL GOVERNMENT FUNDING

	2014	2013
	\$	\$
<u>Central West LHIN:</u>		
- SH - Supportive Housing	2,128,255	1,883,398
- CSS - Community Support Services	575,019	414,019
- one-time funding	60,858	22,232
- amortization of deferred capital contributions	99,839	105,499
	2,863,971	2,425,148
<u>Ministry of Training, Colleges and Universities:</u>		
- Jobs Caledon contract	460,585	474,554
- Youth Employment Fund	29,371	-
- amortization of deferred capital contributions	8,062	13,824
	498,018	488,378
<u>Headwaters Healthcare Centre:</u>		
- Caledon Specialist Clinic	67,189	24,961
- amortization of deferred capital contributions	6,962	-
	74,151	24,961
<u>Ministry of Culture Grant:</u>		
- Pay Equity program	749	749
<u>Ministry of Health and Long-Term Care:</u>		
- other agencies	-	1,762
	3,436,889	2,940,998

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2014

9. FUNDRAISING, NET

	2014	2013
	\$	\$
Revenue:		
Community Stores - retail	642,992	620,842
Food donations	286,638	25,098
Santa Fund	211,003	219,872
Community donations	122,299	33,538
Home Gala	92,500	93,630
Kidz in Caledon	57,802	57,122
Perfect Pairing	53,755	48,661
3rd Party events	48,050	126,562
Community Stores - Ontario Trillium grant	16,471	43,653
Amortization of deferred capital contributions	85,254	9,071
	1,616,764	1,278,049
Expenses:		
Community Stores - salaries, wages and benefits	376,038	401,635
Community Stores - occupancy costs	139,638	134,301
Community Stores - other	62,394	65,051
Home Gala	44,864	41,414
Perfect Pairing	18,388	16,336
Kidz in Caledon	7,910	9,420
Santa Fund	5,439	5,215
3rd Party events	4,725	8,253
Miscellaneous	1,684	681
	661,080	682,306
Net revenue from fundraising	955,684	595,743

10. PROGRAM FEES

	2014	2013
	\$	\$
Region of Peel Transhelp	368,819	347,975
Region of Peel Passenger Assistance Program	207,185	173,961
Long-Term Care Transportation	102,163	103,955
Lifeline	31,821	29,216
Transitional Care Centre	25,957	17,206
Other	854	2,989
	736,799	675,302

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2014

11. FEDERAL GOVERNMENT FUNDING

	2014 \$	2013 \$
<u>Human Resources and Social Development Canada:</u>		
- Life for Youth grant	370,649	497,325
- Summer Career Placements	6,852	7,200
- amortization of deferred capital contributions	381	6,969
	<u>377,882</u>	<u>511,494</u>
<u>Citizenship and Immigration Canada:</u>		
- Language Instruction for Newcomers to Canada (L.I.N.C.) grant	173,882	166,014
- amortization of deferred capital contributions	1,663	2,746
	<u>175,545</u>	<u>168,760</u>
	<u>553,427</u>	<u>680,254</u>

12. REGION OF PEEL GOVERNMENT FUNDING

	2014 \$	2013 \$
Community Programs	111,932	121,997
Dedicated Gas Tax	20,247	20,312
Sustainability – Small Capital Funding	429	-
Homelessness Partnering Strategy	-	31,995
Strengthening Organization Effectiveness Grant	-	2,314
Amortization of deferred capital contributions	38,500	-
	<u>171,108</u>	<u>176,618</u>

13. TOWN OF CALEDON FUNDING

	2014 \$	2013 \$
Small Business Enterprise Centre (S.B.E.C.) grant	44,267	34,692
Property tax rebate	23,933	20,612
Dedicated Gas Tax	6,750	7,059
Community grants	4,874	5,000
Amortization of deferred capital contributions	1,200	1,200
	<u>81,024</u>	<u>68,563</u>

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2014

14. MISCELLANEOUS INCOME

	2014	2013
	\$	\$
Government sales tax rebates	33,299	38,671
Investment income	24,772	25,837
Other	1,000	3,601
	59,071	68,109

15. PARTNERSHIP FUNDING

	2014	2013
	\$	\$
<u>Funding received:</u>		
Ministry of Health and Long-Term Care - Caledon Seniors Centre	33,075	33,075
Total Partnership funding recognized as revenue	33,075	33,075
Funding transfers to partnership organizations recognized as expense	(33,075)	(33,075)

16. COMMUNITY ASSISTANCE EXPENSES

	2014	2013
	\$	\$
Food recovery and delivery	286,638	25,098
Food cards purchased	44,658	72,246
Allowances	34,361	40,396
Field supports - Youth Employment Fund	27,312	-
Other in-kind	24,227	12,548
Gift cards in-kind	18,808	22,096
Recreation and camp fees	15,158	15,547
Employer incentives	14,877	28,426
Transportation	13,055	18,770
Other	10,469	16,150
Utilities	9,077	9,676
	498,640	260,953

CALEDON COMMUNITY SERVICES

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2014

17. PROGRAM TRAVEL EXPENSES

	2014	2013
	\$	\$
Clients	343,678	283,247
Staff	22,825	18,563
	366,503	301,810

18. COMMITMENTS, CONTINGENCIES AND GUARANTEES

- a) The Organization occupies leased premises for its head office (expiring August 2018), the Chez Thrift retail store (expiring June 2016), the Transitional Care Centre (expiring December 2014), the Exchange (expiring April 2017) and the Caledon Specialist Clinic (expiring August 2018) under operating leases. At March 31, 2014, the future minimum lease payments under operating leases were:

2015	\$ 362,763
2016	366,557
2017	289,456
2018	199,314
2019	<u>80,566</u>
	<u>\$ 1,298,656</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.
- 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, 2014

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.