

RICHMOND ADDICTION SERVICES SOCIETY
Financial Statements
Year Ended March 31, 2022

RICHMOND ADDICTION SERVICES SOCIETY
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Year Ended March 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Members of Richmond Addiction Services Society

Report on the Financial Statements

Opinion

We have audited the financial statements of Richmond Addiction Services Society (the Society), which comprise the statement of financial position as at March 31, 2022, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2022, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO)

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Annual Report, other than the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of the auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

(continues)

In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(*continues*)

Report on Other Legal and Regulatory Requirements

As required by the Societies Act of British Columbia, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with ASNPO have been applied on a basis consistent with that of the preceding year.

Langley, British Columbia
July 19, 2022




CHARTERED PROFESSIONAL ACCOUNTANTS

RICHMOND ADDICTION SERVICES SOCIETY
Statement of Financial Position
March 31, 2022

| | 2022 | 2021 |
|--|-------------------|---------------------|
| ASSETS | | |
| CURRENT | | |
| Cash and cash equivalents | \$ 639,599 | \$ 318,525 |
| Restricted cash (Note 4) | 101,821 | 105,307 |
| Accounts receivable | 9,267 | 2,506 |
| Good and services tax recoverable | 1,491 | 1,193 |
| Interest receivable | 657 | 1,547 |
| Prepaid expenses and deposits | 14,195 | 15,976 |
| Assets held for Foundry (Note 5) | 1,526 | 967,811 |
| | 768,556 | 1,412,865 |
| CAPITAL ASSETS (Note 6) | 12,034 | 15,942 |
| | \$ 780,590 | \$ 1,428,807 |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | \$ 95,450 | \$ 99,880 |
| Unexpended BC Gaming Commission funds (Note 4) | 101,821 | 105,307 |
| Deferred contributions (Note 7) | 413,957 | 72,586 |
| Sick and severance payable (Note 8) | 55,722 | 98,870 |
| Due to Foundry (Note 5) | - | 966,339 |
| | 666,950 | 1,342,982 |
| DEFERRED CAPITAL CONTRIBUTIONS (Note 9) | 8,826 | 9,691 |
| | 675,776 | 1,352,673 |
| NET ASSETS | | |
| Unrestricted | 41,606 | 9,883 |
| Invested in capital assets | 3,208 | 6,251 |
| Internally restricted (Note 10) | 60,000 | 60,000 |
| | 104,814 | 76,134 |
| | \$ 780,590 | \$ 1,428,807 |

COMMITMENTS (Note 11)

ON BEHALF OF THE BOARD



 Director

Yasmin Rahman

 Director

The accompanying notes form an integral part of these financial statements

RICHMOND ADDICTION SERVICES SOCIETY**Statement of Operations
Year Ended March 31, 2022**

| | 2022 | 2021 |
|--|------------------|------------------|
| REVENUES | | |
| Vancouver Coastal Health | \$ 529,059 | \$ 825,984 |
| Municipal grants | 223,891 | 205,701 |
| Foundry grant | 132,561 | 316,113 |
| Gaming grant | 80,486 | 35,880 |
| Other grants | 87,856 | 126,067 |
| Interest and sundry | 1,323 | 2,475 |
| Donations and fundraising | 15,265 | 5,175 |
| Membership dues and other revenues | 730 | 1,550 |
| | <u>1,071,171</u> | <u>1,518,945</u> |
| EXPENSES | | |
| Salaries and benefits | 796,212 | 1,296,330 |
| Rent | 72,790 | 72,790 |
| Program expenses | 62,140 | 61,389 |
| IT maintenance | 33,943 | 20,892 |
| Telephone and utilities | 14,317 | 13,791 |
| Office, postage, courier and other | 13,811 | 17,769 |
| Staff development | 11,969 | 4,741 |
| Audit and accounting | 10,500 | 9,284 |
| Consulting fees | 9,225 | 15,631 |
| Insurance | 8,206 | 8,402 |
| Janitorial services and maintenance | 5,383 | 7,420 |
| Automobile and travel | 787 | 1,211 |
| | <u>1,039,283</u> | <u>1,529,650</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS | <u>31,888</u> | <u>(10,705)</u> |
| OTHER REVENUES (EXPENSES) | | |
| Amortization of capital assets | (14,073) | (11,683) |
| Amortization of deferred capital contributions | 10,865 | 8,328 |
| Government assistance | - | 13,171 |
| | <u>(3,208)</u> | <u>9,816</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES | <u>\$ 28,680</u> | <u>\$ (889)</u> |

The accompanying notes form an integral part of these financial statements

RICHMOND ADDICTION SERVICES SOCIETY
Statement of Changes in Net Assets
Year Ended March 31, 2022

| | Unrestricted | Invested in capital assets | Internally restricted | 2022 | 2021 |
|---|------------------|-------------------------------|--------------------------|-------------------|------------------|
| NET ASSETS - BEGINNING OF YEAR | \$ 9,883 | \$ 6,251 | \$ 60,000 | \$ 76,134 | \$ 77,022 |
| Excess (deficiency) of revenues over expenses | 31,888 | (3,208) | - | 28,680 | (889) |
| Investment in capital assets | (10,165) | 10,165 | - | - | - |
| Deferred capital funding received | 10,000 | (10,000) | - | - | - |
| NET ASSETS - END OF YEAR | \$ 41,606 | \$ 3,208 | \$ 60,000 | \$ 104,814 | \$ 76,133 |

******* DIAGNOSTIC WARNING *******

Prior year closing balance of \$76,133 does not agree to current year opening balance of \$76,134

RICHMOND ADDICTION SERVICES SOCIETY

Statement of Cash Flows

Year Ended March 31, 2022

| | 2022 | 2021 |
|--|-------------------|--------------------|
| OPERATING ACTIVITIES | | |
| Excess (deficiency) of revenues over expenses | \$ 28,680 | \$ (889) |
| Items not affecting cash: | | |
| Amortization of capital assets | 14,073 | 11,683 |
| Amortization of deferred capital contributions | <u>(10,865)</u> | <u>(8,328)</u> |
| | <u>31,888</u> | <u>2,466</u> |
| Changes in non-cash working capital: | | |
| Accounts receivable | (6,761) | 105,089 |
| Good and services tax recoverable | (298) | 2,870 |
| Interest receivable | 890 | (146) |
| Prepaid expenses and deposits | 1,781 | 104,364 |
| Accounts payable and accrued liabilities | (4,430) | 24,905 |
| Deferred contributions | 341,371 | (221,771) |
| Unexpended BC Gaming Commission funds | (3,486) | 41,120 |
| Sick and severance payable | <u>(43,148)</u> | <u>12,841</u> |
| | <u>285,919</u> | <u>69,272</u> |
| Cash flow from operating activities | <u>317,807</u> | <u>71,738</u> |
| INVESTING ACTIVITIES | | |
| Purchase of capital assets | (10,165) | (10,730) |
| Assets held for Foundry | 966,285 | (705,846) |
| Due to Foundry | <u>(966,339)</u> | <u>504,729</u> |
| Cash flow used by investing activities | <u>(10,219)</u> | <u>(211,847)</u> |
| FINANCING ACTIVITIES | | |
| Restricted cash | 3,486 | (41,120) |
| Capital lease obligation | - | (266) |
| Proceeds from callable debt financing | - | 3,438 |
| Deferred capital contributions received | <u>10,000</u> | <u>-</u> |
| Cash flow from (used by) financing activities | <u>13,486</u> | <u>(37,948)</u> |
| INCREASE (DECREASE) IN CASH FLOW | 321,074 | (178,057) |
| Cash - beginning of year | <u>318,525</u> | <u>496,581</u> |
| CASH - END OF YEAR | \$ 639,599 | \$ 318,524 |
| NON-CASH TRANSACTION | | |
| Capital assets acquired in prior year transferred to Assets held for Foundry | <u>\$ -</u> | <u>\$ (15,018)</u> |
| CASH CONSISTS OF: | | |
| Cash | \$ 479,359 | \$ 258,525 |
| Cash equivalents | <u>160,240</u> | <u>60,000</u> |
| | <u>\$ 639,599</u> | <u>\$ 318,525</u> |

The accompanying notes form an integral part of these financial statements

RICHMOND ADDICTION SERVICES SOCIETY

Notes to Financial Statements

Year Ended March 31, 2022

1. NATURE OF OPERATIONS

Richmond Addiction Services Society (the "Society") was formed to provide support and services for the prevention and treatment of addiction in the community in Richmond, British Columbia.

The Society is incorporated under the Societies Act of British Columbia and is classified as a tax exempt not-for-profit organization and as a charity under the Income Tax Act (Canada) and, accordingly, is not subject to income taxes.

The Society provides programs under contract with the Vancouver Coastal Health Authority ("VCH"). The Society is dependent on VCH to provide sufficient funding for operations and assistance for replacement of basic equipment and renovation projects.

2. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash includes cash and cash equivalents deposited at Canadian banking institutions.

Cash equivalents are investments in term deposits and are valued at amortized cost. The carrying amounts approximate fair value because they are readily convertible to a known amount of cash.

Capital assets

Capital assets are stated at cost less accumulated amortization. Contributed assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. Amortization is provided on a declining balance basis at the following rates:

| | |
|---------------------------------------|-----|
| Computer hardware | 33% |
| Equipment and furniture | 20% |
| Leasehold improvements | 10% |
| Computer hardware under capital lease | 33% |

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that either the full or partial amount of the asset no longer has long term service potential to the Society. If such conditions exist, an impairment loss is measured at the amount by which either the full or partial carrying amount of the asset exceeds its residual value.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Internally restricted net assets

Internally restricted net assets represent amounts restricted by the Board of Directors (the "Board") for designated purposes and are not available for use in ongoing operations without the approval of the Board.

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RICHMOND ADDICTION SERVICES SOCIETY
Notes to Financial Statements
Year Ended March 31, 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

The Society follows the deferral method of accounting for contributions, which includes grants and donations.

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.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital asset.

Revenue from other sources is recognized when earned and collection is reasonably assured.

Contributed services

The operations of the Society depend on both the contribution of time by volunteers and donated materials from various sources. Due to the difficulty in determining the fair value of volunteer hours and donated materials, contributed services are not recognized in these financial statements.

Employee future benefits

As part of the union contract that the Society is a party to, the Society has certain obligations with respect to sick leave and severance benefits. The accrued benefit obligation is based on the most recent actuarial valuation report prepared for funding purposes.

Measurement uncertainty

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Significant areas requiring the use of estimates include the determination of the estimated useful lives of capital assets. Actual results could differ from these estimates.

The COVID-19 pandemic has resulted in the disruption of global trade, which has had wide-ranging impacts on the Canadian economy. Certain amounts recognized in the financial statements including the provision for doubtful receivables are subject to increased levels of measurement uncertainty. The recognized amounts are based on management's best information and judgment but the eventual amounts realized may be materially different from these amounts.

4. BC GAMING COMMISSION FUNDS

| | 2022 | 2021 |
|---|-------------------|------------|
| BC Gaming Commission funds, beginning of year | \$ 105,307 | \$ 64,187 |
| Contributions received | 77,000 | 77,000 |
| Amounts recognized as revenue | (80,486) | (35,880) |
| BC Gaming Commission funds, end of year | \$ 101,821 | \$ 105,307 |

RICHMOND ADDICTION SERVICES SOCIETY

Notes to Financial Statements

Year Ended March 31, 2022

5. **FOUNDRY ASSETS AND LIABILITIES**

During the 2021 fiscal year, the Society was notified that they would no longer be the lead agency for the Foundry program in Richmond ("Foundry"). As a result, the funds the Society has received under the original contract, net of any expenses that were incurred under the terms of the original contract, were repaid. Therefore, the Society has classified amounts from deferred contributions to amounts due to Foundry and the corresponding cash as Assets held for Foundry on these financial statements, and as the amounts are repaid, will be removed from the records of the Society. These balances are summarized as follows:

| | 2022 | 2021 |
|--|-----------------|-----------------|
| Cash and cash equivalents | \$ 1,526 | \$ 878,639 |
| Capital assets | - | 89,172 |
| Assets held for Foundry | 1,526 | 967,811 |
| Due from Foundry included in accounts receivable | - | 2,456 |
| Due to Foundry | - | (966,339) |
| | \$ 1,526 | \$ 3,928 |

As part of the original contract, the Society acquired capital assets to deliver the Foundry program. These assets had been delivered to and installed in the premises being used by the Foundry program under the new lead agency.

For the assets acquired by the Society with funds provided by the Foundry Central Office, the Society has removed the assets from its records by applying the deferred capital contributions against the carrying cost of the assets with no gain or loss having been realized on the transaction.

6. **CAPITAL ASSETS**

| | Cost | Accumulated amortization | 2022 Net book value | 2021 Net book value |
|--|------------------|-----------------------------|------------------------------------|---------------------------|
| Computer hardware | \$ 39,982 | \$ 30,164 | \$ 9,818 | \$ 9,959 |
| Equipment and furniture | 13,006 | 12,127 | 879 | 3,089 |
| Leasehold improvements | 5,557 | 4,220 | 1,337 | 2,894 |
| Computer hardware under capital lease | 12,107 | 12,107 | - | - |
| | \$ 70,652 | \$ 58,618 | \$ 12,034 | \$ 15,942 |

RICHMOND ADDICTION SERVICES SOCIETY

Notes to Financial Statements

Year Ended March 31, 2022

7. DEFERRED CONTRIBUTIONS

Deferred contributions represent both funding that is received in advance of the delivery of services and unspent externally restricted contributions. The changes in deferred contributions for the year are as follows:

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|------------------|
| Deferred contributions, beginning of year | \$ 72,586 | \$ 294,357 |
| Contributions received | 1,305,592 | 143,944 |
| Amounts recognized as revenue | <u>(964,221)</u> | <u>(365,715)</u> |
| Deferred contributions, end of year | <u>\$ 413,957</u> | <u>\$ 72,586</u> |

8. SICK AND SEVERANCE PAYABLE

The Society has obligations to certain of its employees in respect of accrued sick leave and severance benefits. The continuity of the Society's employee benefit liability, which is equal to the actuarial obligation, is as follows:

| | <u>2022</u> | <u>2021</u> |
|---------------------------|------------------|------------------|
| Opening balance | \$ 98,870 | \$ 86,029 |
| Service and finance costs | 11,999 | 11,166 |
| Actual benefits paid | - | (28,990) |
| Actuarial (gain) loss | <u>(55,147)</u> | <u>30,665</u> |
| | <u>\$ 55,722</u> | <u>\$ 98,870</u> |

The accumulated obligation for sick and severance allowance benefits is as follows:

| | | |
|---------------------|------------------|------------------|
| Sick leave benefits | \$ 24,148 | \$ 41,353 |
| Severance benefits | <u>31,574</u> | <u>57,517</u> |
| | <u>\$ 55,722</u> | <u>\$ 98,870</u> |

RICHMOND ADDICTION SERVICES SOCIETY

Notes to Financial Statements

Year Ended March 31, 2022

9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations. The changes in deferred capital contributions for the year are as follows:

| | <u>2022</u> | <u>2021</u> |
|---|-----------------|-----------------|
| Deferred capital contributions, beginning of year | \$ 9,691 | \$ 14,581 |
| Contributions received | 10,000 | 3,438 |
| Amounts recognized as revenue | (10,865) | (8,328) |
| | <hr/> | <hr/> |
| Deferred capital contributions, end of year | <u>\$ 8,826</u> | <u>\$ 9,691</u> |

10. INTERNALLY RESTRICTED NET ASSETS

The Society, in accordance with Board approval, has designated \$60,000 (2021 - \$60,000) of the net assets of the Society to use in the event that the Society experiences a delay in receipt of its funding sources or experiences the cancellation of a contract or a reduction in funds from its funding sources. The amount in the reserve is internally restricted and is not available without the approval of the Board.

11. COMMITMENTS

The Society is subject to minimum future lease payments for certain equipment and its premises expiring on various dates up to July 31, 2023. Future minimum lease payments are as follows:

| | |
|------|------------------|
| 2023 | \$ 72,790 |
| 2024 | <u>24,263</u> |
| | <u>\$ 97,053</u> |

RICHMOND ADDICTION SERVICES SOCIETY

Notes to Financial Statements

Year Ended March 31, 2022

12. PENSION PLANS

The Society and its employees contribute to the Public Service Pension Plan and Municipal Pension Plan (jointly trusted pension plans). The board of trustees for these plans, representing plan members and employers, is responsible for administering the plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits are based on a formula. As at March 31, 2021, the Public Service Pension Plan has about 68,000 active members and approximately 52,000 retired members. As at December 31, 2020, the Municipal Pension Plan has about 220,000 active members and approximately 112,000 retired members.

The latest Public Service Pension Plan actuarial valuation as at March 31, 2020, indicated a funding surplus of \$2,667 million for basic pension benefits. The next valuation will occur March 31, 2023.

The latest actuarial valuation for the Municipal Pension Plan as at December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits and a balance of \$2,485 million in the rate stabilization account. The next valuation will be as at December 31, 2021, with results available in 2022.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

The society paid \$47,777 (2021 - \$81,294) for employer contributions to the plan in fiscal 2022.

13. DISCLOSURE OF EMPLOYEE, CONTRACTOR, AND DIRECTOR REMUNERATION

The Societies Act of British Columbia requires the disclosure of remuneration paid by the Society to employees and contractors whose remuneration was at least \$75,000 and any amounts of remuneration paid by the Society to directors.

For the fiscal year ended March 31, 2022, the Society paid total remuneration of \$396,337 (2021 - \$607,525) to four employees (2021 - seven) for services, who received total annual remuneration of \$75,000 or greater. Included in remuneration is the cost of salaries and premiums for employment insurance, Canada pension plan, workers compensation, benefits including medical, dental, life insurance, long-term disability and pension.

No remuneration of \$75,000 or greater was paid to contractors for services and no remuneration was paid to any members of the Board.

14. FINANCIAL INSTRUMENTS

Financial assets include cash and cash equivalents, restricted cash, accounts receivables, and assets held for Foundry and are measured at amortized cost as presented on the statement of financial position. Financial liabilities include accounts payable and accrued liabilities, and sick and severance payable and are measured at amortized cost as presented on the statement of financial position.

The Society is exposed to various risks through its financial instruments. The following analysis provides information about the Society's risk exposure and concentration as of year-end.

Credit risk

(continues)

RICHMOND ADDICTION SERVICES SOCIETY

Notes to Financial Statements

Year Ended March 31, 2022

14. FINANCIAL INSTRUMENTS *(continued)*

Credit risk arises from the potential that a counter party will fail to perform its obligations. A significant portion of the Society's funding comes from government grants and contracts which are considered to be reliable in terms of providing ongoing funding. Other sources of funding include grants from other charitable organizations and foundations, and from other donors. The Society does not consider there to be significant risk that a funder will not provide the funds once a grant has been awarded.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its receipt of funds from its funders and other related sources and accounts payable and accrued liabilities. The Society ensures that it has sufficient cash on demand to meet expected operational expenses. To achieve this objective, the Society prepares annual operating budgets, which are regularly monitored and updated as considered necessary.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Society manages exposure through its normal operating and financing activities. The Society is exposed to interest rate risk primarily through investments in instruments that bear interest at market rates. The Society is minimally exposed to the risk of lower investment returns if the prevailing market interest rates change significantly.

Unless otherwise noted, it is management's opinion that the Society is not exposed to significant other price risks arising from these financial instruments. There have been no changes to the risk exposures since the prior year.