

# **Community Living Kingston and District**

**Financial Statements**  
**For the year ended March 31, 2018**

**Community Living Kingston and District  
Financial Statements  
For the year ended March 31, 2018**

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## Independent Auditor's Report

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**To the Members of  
Community Living Kingston and District**

*Report on the Financial Statements*

We have audited the accompanying financial statements of Community Living Kingston and District which comprise the statements of financial position as at March 31, 2018 and March 31, 2017 and the statements of fund balances, operations and cash flows for the years ended March 31, 2018 and March 31, 2017 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 audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Community Living Kingston and District as at March 31, 2018 and March 31, 2017 and its financial performance and its cash flows for the years ended March 31, 2018 and March 31, 2017 in accordance with Canadian accounting standards for not-for-profit organizations.

*Collins Barrow SEO LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Kingston, Ontario  
June 4, 2018

**Community Living Kingston and District  
Statement of Financial Position**

March 31	Program Fund	Capital Fund	Association Fund	Child Care Fund	2018	2017
<b>ASSETS</b>						
<b>Current</b>						
Cash and bank (Note 1)	\$ 518,822	\$ 297	\$ 682,076	\$ -	\$ 1,201,195	\$ 855,091
Cash and bank - investments (Note 2)	-	-	55,694	-	55,694	219
Accounts receivable	332,819	-	26,819	-	359,638	414,912
Due from M.C.S.S.	486,826	-	-	-	486,826	145,744
Prepaid expenses	130,370	-	-	-	130,370	229,176
Investments (Note 2)	-	-	138,000	-	138,000	320,979
Due from Program Fund	-	-	127,028	4,616	131,644	229,192
Due from Capital Fund	3,272,762	-	353,817	-	3,626,579	2,405,841
	<b>4,741,599</b>	<b>297</b>	<b>1,383,434</b>	<b>4,616</b>	<b>6,129,946</b>	<b>4,601,154</b>
<b>Other assets</b>						
Investments (Note 2)	-	-	658,372	-	658,372	523,034
Capital assets (Note 3)	-	4,187,942	-	-	4,187,942	3,293,369
	<b>-</b>	<b>4,187,942</b>	<b>658,372</b>	<b>-</b>	<b>4,846,314</b>	<b>3,816,403</b>
	<b>\$ 4,741,599</b>	<b>\$ 4,188,239</b>	<b>\$ 2,041,806</b>	<b>\$ 4,616</b>	<b>\$10,976,260</b>	<b>\$ 8,417,557</b>

**Community Living Kingston and District  
Statement of Financial Position**

March 31	Program Fund	Capital Fund	Association Fund	Child Care Fund	2018	2017
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Current</b>						
Accounts payable and accrued liabilities	\$ 1,180,292	\$ -	\$ -	\$ -	\$ 1,180,292	\$ 624,774
Salary, payroll and part-time vacation payable (Note 4)	719,345	-	-	-	719,345	775,441
Full-time vacation and lieu payable (Note 5)	612,074	-	-	-	612,074	582,447
Unearned revenue	47,836	-	-	-	47,836	19,690
Funds held in trust	101,004	-	184,290	-	285,294	282,832
Due to Association Fund	127,028	353,817	-	-	480,845	580,238
Due to Program Fund	-	3,272,762	-	-	3,272,762	2,052,024
Due to Child Care Fund	4,616	-	-	-	4,616	2,771
	<b>2,792,195</b>	<b>3,626,579</b>	<b>184,290</b>	<b>-</b>	<b>6,603,064</b>	<b>4,920,217</b>
<b>Long-term</b>						
Deferred contributions related to capital assets (Note 6)	-	1,027,202	-	-	1,027,202	1,118,547
	<b>2,792,195</b>	<b>4,653,781</b>	<b>184,290</b>	<b>-</b>	<b>7,630,266</b>	<b>6,038,764</b>
<b>Fund balances</b>						
Externally restricted	1,949,404	-	-	-	1,949,404	793,595
Net assets invested in capital assets	-	(465,542)	-	-	(465,542)	(230,702)
Unrestricted	-	-	1,857,516	4,616	1,862,132	1,815,900
	<b>1,949,404</b>	<b>(465,542)</b>	<b>1,857,516</b>	<b>4,616</b>	<b>3,345,994</b>	<b>2,378,793</b>
	<b>\$ 4,741,599</b>	<b>\$ 4,188,239</b>	<b>\$ 2,041,806</b>	<b>\$ 4,616</b>	<b>\$10,976,260</b>	<b>\$ 8,417,557</b>

On behalf of the Board:

Director: \_\_\_\_\_

Director: \_\_\_\_\_

## Community Living Kingston and District Statement of Fund Balances

For the year ended March 31	Program Fund	Capital Association Fund	Child Care Fund	2018	2017
Fund balances, beginning of the year	\$ 793,595	\$ (230,702)	\$ 1,813,129	\$ 2,771	\$ 2,378,793
Excess of revenues over expenditures (expenditures over revenues) for the year	1,155,809	(234,840)	44,387	1,845	967,201
Fund balances, end of the year	\$ 1,949,404	\$ (465,542)	\$ 1,857,516	\$ 4,616	\$ 3,345,994

## Community Living Kingston and District Statement of Operations

For the year ended March 31	Program Fund	Capital Association Fund	Child Care Fund	2018	2017
<b>Revenues</b>					
Grants - Provincial	\$15,301,112	\$ -	\$ -	\$15,301,112	\$13,817,640
Other recoveries	1,249,444	-	264,647	29,665	1,210,506
Grants - Municipal	-	-	-	874,550	874,550
Rent and food recoveries	772,860	-	-	772,860	767,356
Sales	-	-	175,422	-	175,422
Co-op recoveries	83	-	87,876	-	87,959
Amortization of deferred contributions (Note 6)	-	91,345	-	-	91,345
Fees	71,437	-	-	-	71,437
Fundraising	-	-	12,635	-	12,635
Interest	8,322	-	17,819	-	26,141
Donations	-	-	7,410	-	7,410
Unrealized gains on investments	-	-	(7,492)	-	(7,492)
Memberships	-	-	-	-	-
Loss on disposal of assets	-	(12,806)	-	-	-
	<b>17,403,258</b>	<b>78,539</b>	<b>558,317</b>	<b>904,215</b>	<b>18,944,329</b>
					<b>17,122,077</b>
<b>Expenditures</b>					
Salaries and benefits	12,368,966	-	353,925	416,212	13,139,103
Purchased services	1,571,253	-	26,022	394,115	1,991,390
Rent	477,120	-	20,004	20,520	517,644
Property costs	481,233	-	16,448	4,447	502,128
Associate families	247,526	-	-	-	247,526
Amortization of capital assets	-	313,379	-	-	313,379
Transportation costs	218,379	-	12,490	-	230,869
Food	236,549	-	-	-	236,549
Staff travel	207,673	-	19,819	9,844	237,336
Supplies	244,291	-	7,409	11,349	263,049
Equipment costs	89,891	-	8,351	7,329	105,571
Insurance	102,308	-	-	5,592	107,900
Staff training	63,604	-	2,055	190	65,849
Fundraising	-	-	12,947	-	12,947
Interest and bank charges	5,888	-	-	-	5,888
Interest on long-term debt	-	-	-	-	-
Administration allocation (Note 8)	(67,232)	-	34,460	32,772	-
	<b>16,247,449</b>	<b>313,379</b>	<b>513,930</b>	<b>902,370</b>	<b>17,977,128</b>
					<b>17,055,505</b>
<b>Excess of revenues over expenditures (expenditures over revenues) for the year</b>	<b>\$ 1,155,809</b>	<b>\$ (234,840)</b>	<b>\$ 44,387</b>	<b>\$ 1,845</b>	<b>\$ 967,201</b>
					<b>\$ 66,572</b>

## Community Living Kingston and District Statement of Cash Flows

For the year ended March 31	Program Fund	Capital Fund	Association Fund	Child Care Fund	2018	2017
<b>Cash flows from operating activities</b>						
Excess of revenues over expenditures (expenditures over revenues) for the year	\$ 1,155,809	\$ (234,840)	\$ 44,387	\$ 1,845	\$ 967,201	\$ 66,572
<b>Adjustments for items not involving cash</b>						
Amortization of deferred capital contributions	-	(91,345)	-	-	(91,345)	(100,738)
Amortization of capital assets	-	313,379	-	-	313,379	300,121
Loss on disposal of capital assets	-	12,806	-	-	12,806	6,216
Unrealized (gain) loss on investments	-	-	7,492	-	7,492	(1,137)
Loss on disposal of investments	-	-	-	-	-	270
	<b>1,155,809</b>	<b>-</b>	<b>51,879</b>	<b>1,845</b>	<b>1,209,533</b>	<b>271,304</b>
<b>Changes in non-cash working capital balances</b>						
Accounts receivable	50,251	-	5,023	-	55,274	109,083
Due from M.C.S.S.	(341,082)	-	-	-	(341,082)	77,931
Prepaid expenses	98,806	-	-	-	98,806	(118,016)
Accounts payable and accrued liabilities	555,518	-	-	-	555,518	104,031
Salary, payroll and part-time vacation payable	(56,096)	-	-	-	(56,096)	(18,808)
Full-time vacation and lieu payable	29,627	-	-	-	29,627	12,148
Unearned revenue	28,146	-	-	-	28,146	2,373
Funds held in trust	(29,267)	-	31,729	-	2,462	45,628
	<b>1,491,712</b>	<b>-</b>	<b>88,631</b>	<b>1,845</b>	<b>1,582,188</b>	<b>485,674</b>
<b>Cash flows from investing activities</b>						
Purchase of capital assets	-	(1,220,758)	-	-	(1,220,758)	(507,127)
Purchase of investments	-	-	(282,393)	-	(282,393)	(341,626)
Proceeds on sale of investments	-	-	320,881	-	320,881	428,161
Change in accrued interest	-	-	1,661	-	1,661	6,148
	<b>-</b>	<b>(1,220,758)</b>	<b>40,149</b>	<b>-</b>	<b>(1,180,609)</b>	<b>(414,444)</b>
<b>Cash flows from financing activities</b>						
Net advance and repayment of long-term debt	-	-	-	-	-	(410,364)
Deferred capital contributions Interfund	(1,318,286)	1,220,738	99,393	(1,845)	-	223,360
	<b>(1,318,286)</b>	<b>1,220,738</b>	<b>99,393</b>	<b>(1,845)</b>	<b>-</b>	<b>(187,004)</b>
<b>Increase (decrease) in cash and cash equivalents during the year</b>	<b>173,426</b>	<b>(20)</b>	<b>228,173</b>	<b>-</b>	<b>401,579</b>	<b>(115,774)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>345,396</b>	<b>317</b>	<b>509,597</b>	<b>-</b>	<b>855,310</b>	<b>971,084</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 518,822</b>	<b>\$ 297</b>	<b>\$ 737,770</b>	<b>\$ -</b>	<b>\$ 1,256,889</b>	<b>\$ 855,310</b>



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# Community Living Kingston and District Summary of Significant Accounting Policies

March 31, 2018

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## Nature of Association

Community Living Kingston and District (the "association") engages in a wide range of activities that contribute toward the development of capacity in the community to include people with intellectual disabilities in every facet of life. The association delivers disability supports that generally fall into the following groups:

- Residential services ranging from differential assistance to enable individuals to establish their own homes to providing living arrangements with 24-hour staff support.
- Family support to enable families to include a child or adult member with intellectual disability.
- Childcare consulting and resource support to enable licensed childcare programs throughout Frontenac County to include children with special needs.
- Day programs to enable individuals who are not in the work force to contribute to the community as participating members and as volunteers.
- Employment support and assistance to individuals seeking to gain and maintain jobs.

The association is incorporated under the Ontario Corporations Act as a not-for-profit association and is a registered charity. The association is exempt from income taxes under sub-paragraph 149(1)(f) of the Canadian Income Tax Act. Membership in the association is open to residents of Kingston and surrounding townships. The authority of ownership by the members is delegated to a Board of Directors elected from among their members. The members hold their elected representatives subordinate and accountable in accordance with the by-laws. The Board of Directors governs by means of policy development and enforcement. Policy gives direction and sets limits upon what employees and members may or may not do within the association.

## Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

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# Community Living Kingston and District Summary of Significant Accounting Policies

March 31, 2018

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## Fund Accounting

Accrual accounting and the deferral method of accounting are applied to revenue contributions within the following funds:

The *Program Fund* reports those activities related to programs subsidized by the Provincial Government which includes family support services, residential services and adult day programs.

The *Capital Fund* reports on the transactions related to the association's capital assets.

The *Association Fund* contains all other activities and programs not funded through a provincial or municipal annual service contract and includes fundraising activities, co-operative services, employment supports and other activities.

The *Child Care Fund* reports those activities subsidized by the municipality of the City of Kingston, specifically the Resource Consultant Program.

## Program Fund

The Program Fund receives most of its funding from the Ministry of Community and Social Services (M.C.S.S.) under the Services and Supports to Promote the Social Inclusion of Persons with Developmental Disabilities Act and the Ministry of Children and Youth Services (M.C.Y.S.) under the Child and Family Services Act. A funding surplus of any individual program supported by either of these Ministries may be used to offset deficits in other Ministry supported programs that are within the same Executive and Allotment transfer control and within the same legislation. Deficits, if any, in excess of approved Ministries funding must be financed by the association from its own fundraising resources.

## Capital Assets

Purchased capital assets are recorded at cost, while contributed capital assets are recorded at fair value at the date of contribution. Amortization based on the estimated useful life of the asset is calculated as follows:

Buildings	-	30 years straight-line basis
Vehicles	-	5 and 10 years straight-line basis
Equipment	-	5 years straight-line basis
Computer software	-	2 years straight-line basis
Leasehold improvements	-	10 years straight-line basis

## Revenue Recognition

Restricted contributions, which include contributions for capital assets and forgivable loans, are recorded as deferred revenue in the appropriate fund and this deferred revenue is transferred to earned revenue in the year in which 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. Investment income is recognized as revenue when earned.

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## Community Living Kingston and District Summary of Significant Accounting Policies

**March 31, 2018**

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**Volunteer Services**

The work of the association benefits from the voluntary services of many members of the community. Since these services are not normally purchased by the association and because of the difficulty of determining their fair value, volunteer services are not recognized in these financial statements.

**Use of Estimates**

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Estimates have been made by management within these financial statements primarily in relation to accounts receivable, due from M.C.S.S., prepaid expenses, long-term investments, capital assets, accounts payable and accrued liabilities, salary, payroll and part-time vacation payable, full-time vacation and lieu payable and unearned revenue.

These estimates and assumptions are reviewed periodically and as adjustments become necessary they are reported in the periods in which they become known.

**Cash and Cash Equivalents**

Cash and cash equivalents are represented by deposits and overdraft balances held at Canadian banking institutions.

**Investments**

All investments are adjusted to fair value at each reporting date with unrealized gains and losses being reported as a change in the current year's statement of operations.

## Community Living Kingston and District Notes to Financial Statements

**March 31, 2018**

### 1. Cash and Bank

The association's bank accounts are held at one chartered bank. Those bank accounts with an average monthly balance of over \$25,000 earn interest at bank's prime rate less 2.25% and those over \$1,000,000 earn interest at bank's prime rate less 2.00%.

At March 31, 2018, the association had the following credit facilities available:

	2018	2017
US Bank corporate Visa	\$ 195,000	\$ 186,000
RBC revolving demand facility	500,000	500,000
RBC revolving demand facility by way of Letters of Guarantee	-	100,000
RBC revolving demand facility by way of term loans and lease line of credit	-	250,000
RBC revolving facility available by way of term loans	400,000	-
RBC revolving lease line of credit by way of leases	250,000	-
	<b>\$ 1,345,000</b>	<b>\$ 1,036,000</b>

The US Bank corporate Visa card is due on demand and bears a delinquency fee of 2.5% of amounts past due, calculated and payable monthly. This credit facility is unsecured.

The RBC revolving demand facility is due on demand and bears interest at the bank's prime rate, calculated and payable monthly. This is secured by a general security agreement covering all assets except real property.

The RBC revolving demand facility by way of Letters of Guarantee includes the following conditions:

- Each issued Letter of Guarantee shall expire on a Business Day and shall have a term of not more than 365 days.
- Any amount that is not paid when due hereunder shall, unless interest is otherwise payable in respect thereof in accordance with the terms of this agreement or the instrument or contract governing same, bear interest at a fee to be quoted at the time of borrowing.

The RBC revolving demand facility by way of term loans and lease line of credit specific repayment terms will be determined at the time of borrowing but has a maximum repayment term of six years and will bear interest at bank prime plus 0.5%.

## Community Living Kingston and District Notes to Financial Statements

March 31, 2018

### 2. Long-term Investments

	2018	2017
CIBC Wood Gundy's Asset Advantage Account		
Investments	\$ 852,066	\$ 844,232
Less: Current investments maturing within 12 months	(138,000)	(320,979)
Less: Cash balance	(55,694)	(219)
Long-term investments	\$ 658,372	\$ 523,034

Investments are comprised of bonds and government investment certificates (GICs) with effective interest rates of 1.70% to 2.75% (2017 - 0.40% to 2.75%). Interest is receivable on a monthly, semi-annual, annual and maturity basis with various maturity dates no later than July, 2022.

The CIBC Wood Gundy's Asset Advantage Account has an authorized margin account limit of up to 99% of the market value of the investments held within the account, due on demand and bears interest at bank's prime rate plus 0.75% (interest rate is determined by both Investment Dealers Association of Canada Regulations and CIBC Wood Gundy internal "house" policies), calculated and payable monthly. This credit facility is secured by the investments held within the account.

### 3. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 629,266	\$ -	\$ 629,266	\$ 629,266
Buildings	3,747,493	1,924,123	1,823,370	1,938,460
Vehicles	992,784	367,727	625,057	601,856
Equipment	859,281	641,535	217,746	87,101
Computer software	232,436	218,190	14,246	32,389
Leasehold improvements	1,020,980	142,723	878,257	4,297
	\$ 7,482,240	\$ 3,294,298	\$ 4,187,942	\$ 3,293,369

During the year, capital assets were acquired at an aggregate cost of \$1,220,758 (2017 - \$507,127), \$1,220,758 (2017 - \$507,127) paid in cash.

### 4. Salary, Payroll and Part-Time Vacation Payable

Of the \$719,345 in salary, payroll and part-time vacation payable reported on the Statement of Financial Position, \$190,543 is due to the Canada Revenue Agency in the form of source deductions including EI, CPP and income taxes.

## Community Living Kingston and District Notes to Financial Statements

**March 31, 2018**

### 5. Full-time Vacation and Lieu Payable

The M.C.S.S. does not recognize vacation and lieu payable as an expense unless the amounts are paid to employees within one month after year-end. The excess amount of \$612,074 (2017 - \$582,447) has been recorded as a liability of the association as at March 31, 2018. It is management's opinion that if the vacation and lieu payable is paid out in future years the liability would be funded by the M.C.S.S. at the time of payment. Management has not recognized this amount of potential funding as an asset because it is only receivable when payment is made.

### 6. Deferred Contributions Related to Capital Assets

Deferred contributions reported in the Capital Fund include the unamortized portions of contributed capital assets and restricted contributions, including forgivable loans, with which some of the association's assets were originally purchased. The changes for the year in the deferred contributions reported in the Capital Fund are as follows:

	2018	2017
<b>Balance, beginning of year</b>	<b>\$ 1,118,547</b>	<b>\$ 995,925</b>
- Splinter Court basement upgrade	-	70,000
- vehicles	-	153,360
Amounts recognized as amortization of deferred contribution for the year	<b>(91,345)</b>	<b>(100,738)</b>
<b>Balance, end of year</b>	<b>\$ 1,027,202</b>	<b>\$ 1,118,547</b>

The deferred contributions related to capital assets, excluding forgivable CMHC loans, are amortized in future years at the same rate as the amortization of the related assets.

### 7. Commitments

The association has annual rental commitments for equipment as well as office and operations facilities expiring no later than September 2028.

The minimum annual lease payments for the next five years and thereafter are as follows:

2019	\$	253,128
2020		187,233
2021		179,826
2022		175,089
2023		129,174
Thereafter		261,082
	<b>\$</b>	<b>1,185,532</b>

## Community Living Kingston and District Notes to Financial Statements

**March 31, 2018**

### 8. Re-allocation of Administration Expenditures

Administration expenditures are re-allocated between the Program Fund, Association Fund and Child Care Fund proportionate to their share of actual expenditures. The Child Care Fund allocation is capped at a maximum of \$32,772 per budget approval from the City of Kingston.

	2018	2017
Program Fund	93.1 %	93.6 %
Association Fund	3.4 %	3.6 %
Child Care Fund	3.5 %	2.8 %
	100.0 %	100.0 %

### 9. Cash and Cash Equivalents

Cash and cash equivalents can be broken down as follows:

For the year ended March 31	Program Fund	Capital Fund	Association Fund	Child Care Fund	2018	2017
<b>Represented by:</b>						
Cash and bank	\$ 518,822	\$ 297	\$ 682,076	\$ -	\$ 1,201,195	\$ 855,091

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# Community Living Kingston and District Notes to Financial Statements

March 31, 2018

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## 10. Financial Instruments

Financial instruments are financial assets or liabilities of the association where, in general, the association has the right to receive cash or another financial asset from another party or the association has the obligation to pay another party cash or other financial asset.

Financial instruments consist of cash and bank, accounts receivable, due from M.C.S.S., investments, accounts payable and accrued liabilities, salary, payroll and part-time vacation payable, full-time vacation and lieu payable and long-term debt.

The association initially recognized its financial instruments at fair value and subsequently measure them at amortized cost, with the exception of investments which are subsequently measured at fair value.

Financial assets measured at cost or amortized cost are tested for impairment at the end of each year and the amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement and the amount of the reversal is recognized in net income. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost.

As a result of holding financial instruments, the association is exposed to investment risk, market risk and interest rate risk. The following is a description of those risks and how the association manages its exposure to them.

### *Investment Risk Management*

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to interest rate and market risk.

The association mitigates these risks with an investment policy designed to limit exposure and concentration while achieving optimal return within reasonable risk tolerances. The policy limits investments to bonds or guaranteed investment certificates and any bond purchased must be rated by the Standard and Poor's bond rating service as at least "A" and 60% of the total bond portfolio at any one time must be rated at least "AA" or "AAA".

### *Market and Interest Rate Risk*

The risks associated with the investments are the risks associated with the securities in which the funds are invested. The value of equity securities changes with stock market conditions, which are affected by general economic and market conditions. The value of securities will vary with developments within the specific companies or governments which issue the securities. The value of fixed income securities will generally rise if interest rates fall and fall if interest rates rise. Changes in interest rates may also affect the value of equity securities.