Community Living Kingston and District

Financial Statements

March 31, 2021

Community Living Kingston and District

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Independent Auditor's Report

To the Members of Community Living Kingston and District:

Opinion

We have audited the financial statements of Community Living Kingston and District (the "Association"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, fund balances 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 Association as at March 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 Association in accordance with the 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.

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 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.

In preparing the financial statements, management is responsible for assessing the Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association'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 Association'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 Association'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 Association 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.

MNP LLP

Kingston, Ontario

Chartered Professional Accountants

June 28, 2021

Licensed Public Accountants

Community Living Kingston and District
Statement of Financial Position
As at March 31, 2021

	Program Fund	*Capital Fund*	*Association Fund*	*Child Care Fund*	***2021***	*2020*
Assets						
Current						
Cash and bank *(Note 2)*	**1,117,832**	**-**	**714,485**	**-**	**1,832,317**	1,114,538
Accounts receivable	**398,123**	**-**	**8,536**	**-**	**406,659**	296,129
Investments *(Note 3)*	**-**	**-**	**156,560**	**-**	**156,560**	150,119
Cash and bank - investments *(Note 3)*	**-**	**-**	**3,067**	**-**	**3,067**	64
Prepaid expenses	**111,016**	**-**	**-**	**-**	**111,016**	118,252
Due from M.C.C.S.S.	**160,852**	**-**	**-**	**-**	**160,852**	125,500
Due from Program Fund	**-**	**-**	**-**	**-**	**-**	34,939
Due from Association Fund	**92,597**	**-**	**-**	**-**	**92,597**	30,160
	1,880,420	**-**	**882,648**	**-**	**2,763,068**	1,869,701
Capital assets *(Note 4)*	**-**	**5,038,844**	**-**	**-**	**5,038,844**	5,198,538
Investments *(Note 3)*	**-**	**-**	**419,620**	**-**	**419,620**	710,754
	1,880,420	**5,038,844**	**1,302,268**	**-**	**8,221,532**	7,778,993

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The accompanying notes are an integral part of these financial statements

Community Living Kingston and District
Statement of Financial Position
As at March 31, 2021

	Program Fund	Capital Fund	Association Fund	Child Care Fund	2021	2020
Liabilities						
Current						
Accounts payable and accrued liabilities	815,012	-	-	-	815,012	456,130
Unearned revenue	78,255	-	-	-	78,255	-
Salary, payroll and part-time vacation payable *(Note 5)*	599,930	-	-	-	599,930	866,279
Full-time vacation and lieu payable *(Note 6)*	789,741	-	-	-	789,741	618,558
Funds held in trust	67,857	-	313,138	-	380,995	284,180
Due to Program Fund	-	-	92,597	-	92,597	30,160
Due to Child Care Fund	-	-	-	-	-	34,939
	2,350,795	-	405,735	-	2,756,530	2,290,246
Deferred contributions related to capital assets *(Note 7)*	-	1,987,779	-	-	1,987,779	1,645,066
	2,350,795	1,987,779	405,735	-	4,744,309	3,935,312
Net Assets						
Externally restricted	(470,375)	-	-	-	(470,375)	(618,552)
Net assets invested in capital assets	-	3,051,065	-	-	3,051,065	3,553,472
Unrestricted	-	-	896,533	-	896,533	908,761
	(470,375)	3,051,065	896,533	-	3,477,223	3,843,681
	1,880,420	5,038,844	1,302,268	-	8,221,532	7,778,993

Approved on behalf of the Board

Director **Director**

The accompanying notes are an integral part of these financial statements

Community Living Kingston and District
Statement of Operations
For the year ended March 31, 2021

	Program Fund	*Capital Fund*	*Association Fund*	*Child Care Fund*	*2021*	*2020*
Revenues						
Grants - Provincial	**18,360,645**	**-**	**-**	**-**	**18,360,645**	16,929,620
Grants - Municipal	**-**	**-**	**-**	**783,618**	**783,618**	1,142,140
Fees and other recoveries	**939,723**	**-**	**173,023**	**68,849**	**1,181,595**	1,892,647
Rent and food recoveries	**848,975**	**-**	**-**	**-**	**848,975**	873,061
Sales	**-**	**-**	**212,515**	**-**	**212,515**	217,089
Amortization of deferred contributions *(Note 7)*	**-**	**199,870**	**-**	**-**	**199,870**	121,011
Interest	**10,889**	**-**	**18,782**	**-**	**29,671**	51,313
Donations	**-**	**-**	**20,428**	**-**	**20,428**	6,699
Fundraising	**-**	**-**	**-**	**-**	**-**	9,250
Loss on disposal of assets	**-**	**(12,011)**	**-**	**-**	**(12,011)**	(23,286)
	20,160,232	**187,859**	**424,748**	**852,467**	**21,625,306**	21,219,544

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The accompanying notes are an integral part of these financial statements

Community Living Kingston and District
Statement of Operations
For the year ended March 31, 2021

	Program Fund	Capital Fund	Association Fund	Child Care Fund	2021	2020
(Continued from previous page)	**20,160,232**	**187,859**	**424,748**	**852,467**	**21,625,306**	21,219,544
Expenditures						
Salaries and benefits	**15,599,492**	**-**	**275,405**	**507,023**	**16,381,920**	14,599,344
Purchased services	**2,380,830**	**-**	**15,170**	**262,354**	**2,658,354**	3,167,017
Rent	**593,856**	**-**	**80,298**	**20,520**	**694,674**	658,756
Amortization	**-**	**690,266**	**-**	**-**	**690,266**	585,644
Supplies	**384,584**	**-**	**14,312**	**7,623**	**406,519**	455,380
Property costs	**366,705**	**-**	**16,838**	**4,284**	**387,827**	789,630
Food	**313,770**	**-**	**-**	**-**	**313,770**	260,345
Transportation	**219,336**	**-**	**27,658**	**-**	**246,994**	254,878
Associate families	**181,960**	**-**	**-**	**-**	**181,960**	211,242
Insurance	**127,495**	**-**	**3,000**	**3,500**	**133,995**	123,983
Equipment costs	**116,075**	**-**	**12,049**	**1,949**	**130,073**	139,392
Staff travel	**68,996**	**-**	**591**	**2,080**	**71,667**	228,844
Staff training	**28,832**	**-**	**2,493**	**248**	**31,573**	61,525
Fundraising	**-**	**-**	**16,499**	**-**	**16,499**	10,363
Bank charges and interest	**5,716**	**-**	**-**	**-**	**5,716**	5,143
Administration allocation *(Note 8)*	**(56,249)**	**-**	**13,363**	**42,886**	**-**	-
	20,331,398	**690,266**	**477,676**	**852,467**	**22,351,807**	21,551,486
Excess (deficiency) of revenue over expenditures before other items	**(171,166)**	**(502,407)**	**(52,928)**	**-**	**(726,501)**	(331,942)
Other items						
Federal wage subsidy	**284,404**	**-**	**75,639**	**-**	**360,043**	-
Excess (deficiency) of revenues over expenditures	**113,238**	**(502,407)**	**22,711**	**-**	**(366,458)**	(331,942)

The accompanying notes are an integral part of these financial statements

Community Living Kingston and District

Statement of Fund Balances

For the year ended March 31, 2021

	Program Fund	*Capital Fund*	*Association Fund*	*Child Care Fund*	***2021***	*2020*
Fund balances, beginning of year	**(618,552)**	**3,553,472**	**873,822**	**34,939**	**3,843,681**	4,175,623
Excess (deficiency) of revenues over expenditures	**113,238**	**(502,407)**	**22,711**	**-**	**(366,458)**	(331,942)
Inter-fund transfers *(Note 9)*	**34,939**	**-**	**-**	**(34,939)**	**-**	-
Fund balances, end of year	**(470,375)**	**3,051,065**	**896,533**	**-**	**3,477,223**	3,843,681

The accompanying notes are an integral part of these financial statements

Community Living Kingston and District

Statement of Cash Flows

For the year ended March 31, 2021

	Program Fund	Capital Fund	Association Fund	Child Care Fund	2021	2020
Cash provided by (used for) the following activities						
Operating						
Excess (deficiency) of revenues over expenditures	113,238	(502,407)	22,711	-	(366,458)	(331,942)
Amortization	-	690,266	-	-	690,266	585,644
Amortization of deferred capital contributions	-	(199,870)	-	-	(199,870)	(121,011)
Loss on disposal of capital assets	-	12,011	-	-	12,011	23,286
Donations in-kind	-	-	(904)	-	(904)	-
	113,238	-	21,807	-	135,045	155,977
Changes in working capital accounts						
Accounts receivable	(126,936)	-	16,406	-	(110,530)	8,822
Due from M.C.C.S.S.	(35,352)	-	-	-	(35,352)	(25,030)
Prepaid expenses	7,236	-	-	-	7,236	(7,390)
Accounts payable and accrued liabilities	358,882	-	-	-	358,882	(247,700)
Unearned revenue	78,255	-	-	-	78,255	-
Salary, payroll and part-time vacation payable	(266,349)	-	-	-	(266,349)	55,637
Full-time vacation and lieu payable	171,183	-	-	-	171,183	44,859
Funds held in trust	6,395	-	90,420	-	96,815	(62,429)
	306,552	-	128,633	-	435,185	(77,254)
Financing						
Deferred capital contributions	-	542,583	-	-	542,583	676,743
Interfund	(62,437)	-	62,437	-	-	-
	(62,437)	542,583	62,437	-	542,583	676,743
Investing						
Purchase of capital assets	-	(542,583)	-	-	(542,583)	(824,815)
Purchase of investments	-	-	(100,945)	-	(100,945)	(274,927)
Proceeds on disposal of investments	-	-	391,035	-	391,035	250,000
Change in accrued interest	-	-	(4,493)	-	(4,493)	4,026
	-	(542,583)	285,597	-	(256,986)	(845,716)
Increase (decrease) in cash resources	244,115	-	476,667	-	720,782	(246,227)

Continued on next page

The accompanying notes are an integral part of these financial statements

Community Living Kingston and District

Statement of Cash Flows

For the year ended March 31, 2021

	Program Fund	Capital Fund	Association Fund	Child Care Fund	2021	2020
Increase (decrease) in cash resources *(Continued from previous page)*	**244,115**	**-**	**476,667**	**-**	**720,782**	(246,227)
Cash resources, beginning of year	**873,717**	**-**	**240,885**	**-**	**1,114,602**	1,360,829
Cash resources, end of year	**1,117,832**	**-**	**717,552**	**-**	**1,835,384**	1,114,602
Cash resources are composed of:						
Cash and bank	**1,117,832**	**-**	**714,485**	**-**	**1,832,317**	1,114,538
Cash and bank - investments	**-**	**-**	**3,067**	**-**	**3,067**	64
	1,117,832	**-**	**717,552**	**-**	**1,835,384**	1,114,602

The accompanying notes are an integral part of these financial statements

1. Significant Accounting Policies

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.

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 Children, Community and Social Services under the Services and Supports to Promote the Social Inclusion of Persons with Developmental Disabilities Act and 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. Contributed capital assets are recorded at fair value at the date of contribution plus all costs directly attributable to the acquisition.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

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

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.

Claims for assistance under various government programs are recognized as income in the period in which eligible related expenditures are incurred.

Contributed 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, contributed services are not recognized in these financial statements.

Measurement Uncertainty (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.C.S.S., prepaid expenses, long-term investments, capital assets, accounts payable and accrued liabilities, salary, payroll and part-time vacation payable, and full-time vacation and lieu payable.

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.

2. 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, 2021, the Association had the following credit facilities available:

	2021	*2020*
US Bank corporate visa	**427,150**	318,500
RBC revolving demand facility	**500,000**	500,000
RBC revolving facility available by way of term loans	**250,000**	400,000
RBC revolving lease line of credit by way of leases	**250,000**	250,000
RBC multi-draw term loan	**775,000**	-
	2,202,150	1,468,500

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 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%. The aggregate of these two facilities must not exceed $250,000 at any time.

The RBC multi-draw term loan is specific to the financing of a real estate construction project. The facility bears interest at bank prime plus 0.5% during the draw period, and a fixed interest to be determined upon conversion of the loan. The loan is secured by land and improvements.

3. Long-term Investments

CIBC Wood Gundy's Asset Advantage Account

	2021	*2020*
Investments	**579,247**	860,937
Less: Current investments maturing within 12 months	**(156,560)**	(150,119)
Less: Cash balance	**(3,067)**	(64)
Long-term investments	**419,620**	710,754

Investments are comprised of equities, mutual funds, bonds and guaranteed investment certificates (GICs) with effective interest rates of 0.85% to 3.20% (2020 - 1.90% to 3.20%). Interest is receivable on a semi-annual and annual basis, with various maturity dates no later than October, 2023.

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.

4. Capital Assets

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Land	**629,266**	-	**629,266**	629,266
Buildings	**4,263,935**	**2,279,074**	**1,984,861**	1,804,170
Vehicles	**1,519,053**	**586,848**	**932,205**	1,093,340
Computer software	**200,636**	**200,636**	-	-
Equipment	**1,225,890**	**883,872**	**342,018**	495,299
Leasehold improvements	**1,761,821**	**611,327**	**1,150,494**	1,176,463
	9,600,601	**4,561,757**	**5,038,844**	5,198,538

During the year, capital assets were acquired at an aggregate cost of $542,583 (2020 - $824,815), paid in cash.

Included in buildings are assets with a total carrying values of $295,199, which are not yet subject to amortization.

5. Salary, Payroll and Part-Time Vacation Payable

Of the $599,930 in salary, payroll and part-time vacation payable reported on the Statement of Financial Position, $156,888 is due to the Canada Revenue Agency in the form of source deductions including EI, CPP and income taxes.

6. Full-time Vacation and Lieu Payable

The M.C.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 $789,741 (2020 - $618,558) has been recorded as a liability of the Association as at March 31, 2021. 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.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.

7. Deferred Contribution 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:

	2021	2020
Balance, beginning of year	**1,645,066**	1,089,334
Add: contributions during the year	**542,583**	676,743
Less: amounts recognized as amortization of deferred contributions for the year	**(199,870)**	(121,011)
Balance, end of year	**1,987,779**	1,645,066

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.

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 $42,886 per budget approval from the City of Kingston.

	2021	*2020*
Program Fund	**94.46**	92.17%
Association Fund	**4.22**	3.45%
Child Care Fund	**1.32**	4.38%
	100.0%	100.0%

9. Inter-fund Transfer

During the year, the Board of Directors approved a transfer of $34,939 from the Child Care Fund to the Program Fund.

10. Commitments

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

The Association has entered into a purchase contract with Marques Homes for the purchase of a newly constructed group home, with an expected closing date of December 17, 2021.

The minimum annual lease payments and contract obligations for the above noted commitments for the next five years and thereafter are as follows:

2022	1,402,870
2023	376,294
2024	328,685
2025	226,532
2026	180,098
Thereafter	352,396
	2,866,875

11. 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.C.S.S., investments, accounts payable and accrued liabilities, salary, payroll and part-time vacation payable and full-time vacation and lieu payable.

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".

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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.

12. Significant Event

Ongoing at year-end, there is a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Association as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.