F I N A N C I A L S T A T E M E N T S

For

BOARD OF MANAGEMENT FOR THE CENTRAL EGLINTON COMMUNITY CENTRE

For the year ended

DECEMBER 31, 2021

Management's Responsibility for the Financial Statements

The financial statements of the Board of Management for the Central Eglinton Community Centre (the "Centre") are the responsibility of management and have been approved by the Board.

The financial statements have been prepared in compliance with the Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to the financial statements.

The preparation of the financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Centre's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Board of Management is responsible for ensuring that management fulfills its responsibilities for financial reporting. The Board reviews the Centre's financial statements and discusses any significant financial reporting or internal control matters prior to the approval of the financial statements.

The financial statements have been audited by Welch LLP, independent external auditors appointed by the City of Toronto's City Council, in accordance with Canadian generally accepted auditing standards. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Centre's financial statements.

.... Chairperson

.... Treasurer

Welch LLP - Chartered Professional Accountants
36 Toronto Street, Suite 1070, Toronto ON, M5C 2C5
T: 647 288 9200 F: 647 288 7600 W: welchllp.com
An Independent Member of BKR International

INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the

CITY OF TORONTO AND
THE BOARD OF MANAGEMENT FOR THE CENTRAL EGLINTON COMMUNITY CENTRE

Qualified Opinion

We have audited the accompanying financial statements of Board of Management for the Central Eglinton Community Centre (the Centre), which comprise the statement of financial position as at December 31, 2021, and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Centre as at December 31, 2021 and results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Centre derives revenue from fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Centre and we were not able to determine whether any adjustments might be necessary to fundraising revenue, net revenue over expenses and cash flows from operations for the years ended December 31, 2021 and 2020, current assets as at December 31, 2021 and 2020, and unrestricted net assets as at January 1 and December 31, 2021 and 2020. Our audit opinion on the financial statements for the year ended December 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

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 Centre in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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 qualified audit 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 public sector accounting standards for government 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 Centre'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 Centre or to cease operations, or has no realistic alternative but to do so.

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

Welch LLP - Chartered Professional Accountants
36 Toronto Street, Suite 1070, Toronto ON, M5C 2C5
T: 647 288 9200 F: 647 288 7600 W: welchllp.com
An Independent Member of BKR International

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 Centre'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 Centre'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 Centre 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.

Welch LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 26, 2022.

BOARD OF MANAGEMENT FOR THE CENTRAL EGLINTON COMMUNITY CENTRE

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	$ 118,992	$ 216,710
Investments (note 3)	441,675	445,650
Due from City of Toronto (note 8)	17,783	32,060
Accounts receivable	9,979	8,010
Prepaid expenses	-	3,687
	588,429	706,117
TANGIBLE CAPITAL ASSETS (note 4)	73,769	70,999
DUE FROM CITY OF TORONTO (note 7)	143,171	150,303
	$ 805,369	$ 927,419
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Due to City of Toronto (note 8)	$ 110,083	$ 201,338
Accounts payable and accrued liabilities	47,453	63,734
Deferred contributions (note 5)	30,675	6,425
	188,211	271,497
DEFERRED CAPITAL CONTRIBUTIONS (note 6)	73,170	70,315
POST-EMPLOYMENT BENEFITS PAYABLE (note 7)	143,171	150,303
	404,552	492,115
NET ASSETS		
Unrestricted	395,542	423,129
Internally restricted (note 3)	5,275	12,175
	400,817	435,304
	$ 805,369	$ 927,419

Approved by the Board:

Phyllis Carden Chair

Sheila Potvin Treasurer

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE CENTRAL EGLINTON COMMUNITY CENTRE

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2021

	Unrestricted	Internally Restricted	Total 2021	Total 2020
Net assets, beginning of year	$ 423,129	$ 12,175	$ 435,304	$ 467,199
Net expenses over revenue	(34,487)	-	(34,487)	(31,895)
Interfund transfer (note 3)	6,900	(6,900)	-	-
Net assets, end of year	$ 395,542	$ 5,275	$ 400,817	$ 435,304

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE CENTRAL EGLINTON COMMUNITY CENTRE

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2021

	Parent and Child Program	EarlyON Program	Summer Camp Program	Older Adult Program	Other Programs	Programs Total	Administration (note 8)	2021	2020
Revenue									
Grants									
City of Toronto	$ -	$ 34,549	$ -	$ 29,930	$ -	$ 64,479	$ 686,780	$ 751,259	$ 701,329
Province of Ontario	-	-	-	46,694	-	46,694	-	46,694	42,700
	-	34,549	-	76,624	-	111,173	686,780	797,953	744,029
Program fees	-	-	-	-	-	-	-	-	28,618
Fundraising	-	-	-	-	801	801	-	801	2,245
Memberships	-	-	-	210	-	210	-	210	1,445
Other revenue	-	4,459	-	-	1,304	5,763	-	5,763	8,345
Rental fees	-	-	-	-	-	-	-	-	975
Amortization of deferred capital contributions (note 6)	-	84	-	1,971	-	2,055	15,332	17,387	14,495
	-	39,092	-	78,805	2,105	120,002	702,112	822,114	800,152
Expenses									
Salaries and wages	60	52,133	-	62,902	256	115,351	477,147	592,498	569,109
Employee benefits	3	13,418	-	14,141	19	27,581	116,402	143,983	131,162
Materials and supplies	-	3,934	-	4,108	-	8,042	20,146	28,188	46,355
Purchase of services	-	512	-	862	-	1,374	73,085	74,459	70,839
Amortization of tangible capital assets	-	84	-	2,057	-	2,141	15,332	17,473	14,582
	63	70,081	-	84,070	275	154,489	702,112	856,601	832,047
Net revenue over expenses (expenses over revenue)	$ (63)	$ (30,989)	$ -	$ (5,265)	$ 1,830	$ (34,487)	$ -	$ (34,487)	$ (31,895)

(See accompanying notes)

BOARD OF MANAGEMENT FOR THE CENTRAL EGLINTON COMMUNITY CENTRE

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2021

	2021	2020
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Net expenses over revenue	$ (34,487)	$ (31,895)
Adjustments for non-cash items:		
Amortization of tangible capital assets	17,473	14,582
Amortization of deferred capital contributions	(17,387)	(14,495)
	(34,401)	(31,808)
Increase (decrease) resulting from changes in:		
Due from City of Toronto	14,277	(18,944)
Accounts receivable	(1,969)	16,434
Prepaid expenses	3,687	9,062
Long-term amount due from City of Toronto	7,132	7,362
Due to City of Toronto	(91,255)	74,053
Accounts payable and accrued liabilities	(16,282)	(8,506)
Deferred contributions	24,250	(29,514)
Post-employment benefits payable	(7,132)	(7,362)
	(101,693)	10,777
INVESTING ACTIVITIES		
Purchase of investments	(441,675)	(445,650)
Proceeds on sale of investments	445,650	618,195
	3,975	172,545
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(20,242)	(16,923)
FINANCING ACTIVITIES		
Capital contributions received	20,242	16,923
INCREASE (DECREASE) IN CASH	(97,718)	183,322
CASH, BEGINNING OF YEAR	216,710	33,388
CASH, END OF YEAR	$ 118,992	$ 216,710

(See accompanying notes)

1. NATURE OF OPERATIONS

The City of Toronto Act, 1997 continued the provisions of By-law No. 1995 - 0448 dated June 26, 1995 to reflect Chapter 25, Community and Recreation Centres of the Corporation of the City of Toronto Municipal Code. Chapter 25 amended all previous by-laws and established part of the premises at 160 Eglinton Avenue East, Toronto, as a community recreation centre under the authority of the Municipal Act, known as Central Eglinton Community Centre (the "Centre"). The Centre is a not-for-profit organization and, as such, is exempt from income tax.

The Municipal Code provides for a Council appointed Board of Management which, among other matters, shall:

(a) endeavour to manage and control the premises in a reasonable and efficient manner, in accordance with standard good business practices, and

(b) pay to the City of Toronto (the "City") any excess of administration expenditure funds provided by the City in accordance with its approved annual budget, but may retain any surplus from program activities.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations ("PSAS-GNFPO"), including the 4200 series of standards, as issued by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

Revenue recognition

The Centre follows the deferral method of accounting for contributions. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized and are recorded as deferred contributions on the statement of financial position. Externally restricted contributions for depreciable tangible capital assets are deferred and amortized over the life of the related tangible capital assets. Externally restricted contributions for tangible capital assets that have not been expended are recorded as part of deferred capital contribution on the statement of financial position.

Program fees, membership fees and rental income are recognized as the services are provided. Amounts received in advance of services being provided are classified as deferred revenue on the statement of financial position.

Financial instruments

The Centre initially measures its financial assets and financial liabilities at fair value.

The Centre subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, investments, accounts receivable and due from City of Toronto. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and due to City of Toronto.

2. **SIGNIFICANT ACCOUNTING POLICIES** - Cont'd.

Contributed material and services

Because of the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements. Monetary donations are recorded as received.

Tangible capital assets

Tangible capital assets are recorded at cost and contributed tangible capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over their estimated useful lives, as follows:

Furniture and equipment	5 years straight line
Leasehold improvements	10 years straight line
Computer software	10 years straight line

Employee related costs

The Centre has adopted the following policies with respect to employee benefit plans:

(a) The City of Toronto offers a multi-employer defined benefit pension plan to the Centre's employees. Due to the nature of the Plan, the Centre does not have sufficient information to account for the Plan as a defined benefit plan; therefore, the multi-employer defined benefit pension plan is accounted for in the same manner as a defined contribution plan. An expense is recorded in the period in which contributions are made.

(b) The Centre also offers its employees a defined benefit sick leave plan, a post-retirement life, health and dental plan, a long-term disability plan and continuation of health, dental and life insurance benefits to disabled employees. The accrued benefit obligations are determined using an actuarial valuation based on the projected benefit method prorated on service, incorporating management's best estimate of future salary levels, inflation, sick day usage estimates, ages of employees and other actuarial factors.

Net actuarial gains and losses that arise are amortized over the expected average remaining service life of the employee group.

The Centre recognizes an accrued benefit liability on the statement of financial position, which is the net of the amount of the accrued benefit obligations and the unamortized actuarial gains / losses.

Use of estimates

The preparation of financial statements in accordance with PSAS-GNFPO 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 expenses during the reporting period. Management makes accounting estimates when determining the useful life of its tangible capital assets, significant accrued liabilities, the post-employment benefits liabilities and the related costs charged to the statement of operations. Actual results could differ from those estimates, the impact of which would be recorded in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

3. INVESTMENTS

The investments consist of guaranteed investment certificates with maturity dates ranging from February 25, 2022 to October 26, 2022 and interest rates ranging from 0.20% to 0.35%. Investments include $5,275 (2020 - $12,175) specifically reserved for expenses related to the 50+ program.

4. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	2021		2020	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Furniture and equipment	$ 79,140	$ 36,836	$ 67,509	$ 23,442
Leasehold improvements	30,935	14,124	22,323	11,876
Computer software	18,317	3,663	18,317	1,832
	128,392	$ 54,623	108,149	$ 37,150
Less: accumulated amortization	(54,623)		(37,150)	
	$ 73,769		$ 70,999	

5. DEFERRED CONTRIBUTIONS

	2021	2020
Balance, beginning of year	$ 6,425	$ 35,939
Add: Funds received	822,203	721,877
Less: Amounts recognized as revenue	(797,953)	(744,029)
Balance, end of year	$ 30,675	$ 6,425

6. DEFERRED CAPITAL CONTRIBUTIONS

	2021	2020
Balance, beginning of year	$ 70,315	$ 67,887
Add: Capital contributions received	20,242	16,923
Less: Amortization recognized as revenue	(17,387)	(14,495)
Balance, end of year	$ 73,170	$ 70,315

7. POST-EMPLOYMENT BENEFITS PAYABLE AND LONG-TERM ACCOUNTS RECEIVABLE

The Centre participates in a number of defined benefit plans provided by the City including pension, other retirement and post-employment benefits to its employees. Under the sick leave plan for management staff with ten years of service as of July 1, 2008, unused sick leave accumulates and eligible retirees are entitled to a cash payment when they leave the Centre's employment. The liability for these accumulated days represents the extent to which they have vested and could be taken in cash by the employee upon termination, retirement or death. This sick bank plan was replaced by a Short-Term Disability Plan (STD) effective March 1, 2008, for all non-union employees of the City of Toronto. Upon the effective date, the sick banks were locked with no further accumulation. Grandfathered management staff remain entitled to payout of frozen, banked time, as described above. Under the new STD plan, management employees are entitled to 130 days annual coverage with salary protection at 100 or 75 percent, depending upon years of service. Non-management employees continue to receive sick bank time as stipulated in the applicable Collective Agreement, which specifies no financial conversion of unused sick leave.

7. **POST-EMPLOYMENT BENEFITS PAYABLE AND LONG TERM ACCOUNTS RECEIVABLE** - Cont'd.

The Centre also provides health, dental, accidental death and disability, life insurance and long term disability benefits to eligible employees. Depending upon length of service and an individual's election, management retirees are covered either by the former City of Toronto retirement benefit plan or by the current retirement benefit plan.

Due to the complexities in valuing the benefit plans, actuarial valuations are conducted on a periodic basis. The most recent actuarial valuation was completed as at December 31, 2021 with projections to December 31, 2021. Assumptions used to project the accrued benefit obligation were as follows:

- long-term inflation rate 2.0%
- assumed health care cost trends - range from 3.0% to 6.0%
- rate of compensation increase 3.0% to 3.5%
- discount rates - post-retirement 2.7%, post-employment 2.0%, sick leave 2.1%

Information about the Centre's employee benefits, other than the multi-employer, defined benefit pension plan noted below, is as follows:

	2021	2020
Post-retirement benefits	$ 136,541	$ 105,779
Add: unamortized actuarial gain	6,630	44,524
Post-employment benefit liability	$ 143,171	$ 150,303

The continuity of the accrued benefit obligation is as follows:

	2021	2020
Balance, beginning of year	$ 150,303	$ 157,665
Current service cost	1,582	1,174
Interest cost	2,070	2,560
Amortization of actuarial gain	(3,032)	(3,815)
Expected benefits paid	(7,752)	(7,281)
Balance, end of year	$ 143,171	$ 150,303

A long-term receivable from the City of $143,171 in 2021 (2020 - $150,303) has resulted from recording sick leave and post retirement benefits. Funding for these costs continues to be provided by the City as benefit costs are paid and the City continues to be responsible for the benefit liabilities of administrative staff that may be incurred by the Centre.

The Centre also makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of most of its employees. The OMERS plan (the "Plan") is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employer contributions to this pension plan amounted to $53,682 in 2021 (2020 - $53,611).

The most recent actuarial valuation of the Plan as at December 31, 2021 indicates that the Plan is in a deficit position and the Plan's December 31, 2021 financial statements indicate a net deficit of $69 million (a deficit of $3.131 billion plus adjustment of $3.062 billion of unrecognized investment returns above or below the discount rate that is being smoothed and recognized over a five-year period). The Plan's management is monitoring the adequacy of the contributions to ensure that future contributions together with the Plan's assets and future investment earnings will be sufficient to provide for all future benefits. At this time, the Centre's contributions accounted for an insignificant portion of the Plan's total employer contribution. Additional contributions, if any, required to address the Centre's proportionate share of the deficit will be expensed during the period incurred.

8. FUNDS PROVIDED BY THE CITY OF TORONTO - ADMINISTRATION

Funding for administration expenses is provided by the City according to Council approved budgets. Surplus amounts in administration are payable to the City. Deficits, excluding those accruals for long-term employee benefits, are funded by the Centre unless Council approval has been obtained for additional funding.

	2021 Budget (unaudited)	2021	2020
Administration expenses:			
Salaries and wages	$ 493,701	$ 477,147	$ 443,135
Employee benefits	152,798	116,402	92,893
Materials and supplies	30,566	20,146	18,579
Purchase of services	77,902	73,085	61,565
	$ 754,967	$ 686,780	$ 616,172
Centre's actual administration revenue:			
Administration budget		$ 754,967	$ 745,301
Difference in budget and amount funded		-	(49,735)
		$ 754,967	$ 695,566
Centre's actual administration expenses:			
Administration expenses		$ 702,112	$ 629,743
Adjustments for:			
Post-employment benefits, not funded by the City until paid, that are included in long-term amount due from City of Toronto		7,132	7,362
Amortization of tangible capital assets funded by deferred capital contribution		(15,332)	(13,571)
Vacation pay liability, not funded by the City until paid, that are included in due from City of Toronto		14,277	(18,944)
Administration capital asset acquisitions		10,748	16,923
		718,937	621,513
Administration expenses under approved budget		$ 36,030	$ 74,053

The Due from City of Toronto balance is comprised of $17,783 (2020 - $32,060) for administrative staff vacation.

The Due to City of Toronto balance is comprised of:

	2021	2020
2018 surplus payable	$ -	$ 56,987
2019 surplus payable	-	70,298
2020 surplus payable	74,053	74,053
2021 surplus payable	36,030	-
	$ 110,083	$ 201,338

9. LEASE COMMITMENTS

The Centre has entered into agreements to lease office equipment which expire in 2022 and 2025. Minimum annual payments for the office equipment, in aggregate for each of the remaining years are as follows:

2022	$ 5,018
2023	5,018
2024	5,018
2025	2,252
2026	776
	$ 18,082

10. UNCERTAINTY DUE TO THE ECONOMIC CONSEQUENCES OF COVID-19

During 2020, the province of Ontario declared a state of emergency in response to the public health concerns originating from the spread of COVID-19.

On March 14, 2020, the Centre was closed in response to the quarantine measures implemented by the provincial government to stop the spread of the virus. It re-opened for a short period of time in August 2021 but closed again in January 2022. As of March 1, 2022 the Centre reopened and is operating at modified hours. The Centre still offers virtual services and programming.

A high degree of uncertainty persists surrounding the full economic impact of the situation. The unpredictable nature of the spread of the disease makes it difficult to determine the length of time that the Centre's operations will be impacted or the severity of the impact. Consequently, the effects of any subsequent outbreaks or abrupt declines in economic activity will have on the Centre's operations, assets, liabilities, revenues and expenses are unknown at this time.

11. FINANCIAL INSTRUMENTS

The Centre is exposed to and manages various financial risk resulting from operations. Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The Centre's main financial risk exposures and its financial risk management policies are as follows:

Credit risk

The Centre is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Centre’s maximum exposure to credit risk represents the sum of the carrying value of its cash, investments and accounts receivable. The Centre’s cash and investments are deposited with Canadian chartered banks and as a result management believes the risk of loss on these items to be remote. Management believes that the Centre’s credit risk with respect to accounts receivable is limited. The organization manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts.

Liquidity risk

Liquidity risk is the risk that the Centre cannot meet a demand for cash or funds its obligations as they become due. The Centre's financial liabilities are comprised of accounts payable and accrued liabilities. The Centre manages liquidity risk by monitoring its cash flow requirements on a regular basis. The Centre believes its overall liquidity risk to be minimal as the Centre's financial assets are considered to be highly liquid.

11. **FINANCIAL INSTRUMENTS** - Cont'd.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

i) *Currency risk*

Currency risk refers to the risk that the fair value of instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The Centre's financial instruments are all denominated in Canadian dollars and the Centre transacts primarily in Canadian dollars. As a result, management does not believe it is exposed to significant currency risk.

ii) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Centre's cash and investments earn interest at prevailing market rates. As a result, management believes that the interest rate exposure related to these financial instruments is negligible.

iii) *Other price risk*

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with financial instruments will fluctuate because of changes in market prices (other than those arising form currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. Management does not believe the Centre is exposed to significant other price risk.

Changes in risk

There have been no significant changes in the Centre's risk exposures from the prior year.