Financial Statements of

HULL SERVICES

Year ended March 31, 2017

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Hull Services

We have audited the accompanying financial statements of Hull Services, which comprise the statement of financial position as at March 31, 2017, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Hull Services as at March 31, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants

June 20, 2017
Calgary, Canada

HULL SERVICES

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents (note 13)	$ 4,064,491	$ 4,155,497
Accounts receivable (note 13)	894,734	721,789
Inventory of food and supplies	96,635	119,309
Prepaid expenses	315,835	182,572
	5,371,695	5,179,167
Restricted cash for capital (note 2)	82,327	165,051
Investments (note 3)	697,584	698,394
Capital replacement reserve	26,573	29,726
Mortgage reserve	107,073	–
Capital assets (note 4)	19,132,585	19,690,474
Intangible assets (note 5)	112,350	168,543
	$25,530,187	$25,931,355
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 14)	$ 2,607,601	$ 2,838,297
Deferred revenue (note 13)	1,958,945	2,016,864
Current portion of mortgages payable (note 6)	424,916	368,664
Current portion of capital lease obligation (note 7)	5,712	5,341
	4,997,174	5,229,166
Mortgages payable (note 6)	3,922,867	4,347,632
Obligation under capital lease for vehicle (note 7)	–	1,363
Contributions for capital assets (note 8)	10,106,785	10,451,779
Net assets:		
Invested in capital and intangible assets (note 9)	4,784,655	4,684,238
Accumulated operating surplus	1,718,706	1,217,177
	6,503,361	5,901,415
	$25,530,187	$25,931,355

See accompanying notes to financial statements.

Approved by the Board:

_________________ Governor

_________________ Governor

HULL SERVICES

Statement of Operations

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Revenues:		
Contract - Child and Family Services	$ 16,161,054	$ 15,469,622
Contract - Calgary Board of Education	2,884,661	2,940,403
Contract - Other	7,417,382	7,176,642
Per diem	3,480,157	3,847,516
	29,943,254	29,434,183
Other revenues:		
Grants and donations (note 11)	4,401,236	4,635,384
Amortization of deferred capital contributions (note 8)	390,994	393,001
Investment and other income	480,915	208,564
Rental income	95,609	99,284
Realized gain on disposal of assets	5,900	700
	5,374,654	5,336,933
Total revenues	35,317,908	34,771,116
Expenses:		
Salaries and benefits	28,708,078	28,682,651
Client services	2,645,300	2,462,724
Administrative	1,123,946	1,088,094
Facility services	880,831	748,848
Transportation	184,502	143,840
Mortgage interest	156,216	60,306
Capital lease interest	205	306
Total expenses before the undernoted	33,699,078	33,186,769
Excess of revenues over expenses before the undernoted	1,618,830	1,584,347
Amortization of capital assets	944,210	1,027,859
Amortization of intangible assets	74,418	70,774
Change in unrealized (gain) loss on investments	(1,744)	18,362
Excess of revenues over expenses	$ 601,946	$ 467,352

See accompanying notes to financial statements.

HULL SERVICES

Statement of Changes in Net Assets

Year ended March 31, 2017, with comparative information for 2016

March 31, 2017	Invested in capital assets	Appropriated	Unrestricted	2017 Total
Balance, beginning of year	$ 4,684,238	$ 722,475	$ 494,702	$ 5,901,415
Excess (deficiency) of revenues over expenses (note 9(b))	(627,634)	(2,553)	1,232,133	601,946
Net change in investment in assets (note 9(b))	358,546	–	(358,546)	–
Mortgage repayment	368,513	–	(368,513)	–
Capital lease repayment	992	–	(992)	–
Capital replacement reserve	–	(3,153)	3,153	–
Mortgage reserve	–	107,073	(107,073)	–
Balance, end of year	$ 4,784,655	$ 823,842	$ 894,864	$ 6,503,361

March 31, 2016	Invested in capital assets	Appropriated	Unrestricted	2016 Total
Balance, beginning of year	$ 3,867,067	$ 713,195	$ 853,801	$ 5,434,063
Excess (deficiency) of revenues over expenses (note 9(b))	(705,632)	8,228	1,164,756	467,352
Net change in investment in assets (note 9(b))	5,981,278	–	(5,981,278)	–
Mortgages/loans	(4,463,646)	–	4,463,646	–
Capital Lease repayment	5,171	–	(5,171)	–
Capital replacement reserve	–	1,052	(1,052)	–
Balance, end of year	$ 4,684,238	$ 722,475	$ 494,702	$ 5,901,415

See accompanying notes to financial statements.

HULL SERVICES

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	$ 601,946	$ 467,352
Items not involving cash:		
Amortization of capital assets	944,210	1,027,859
Amortization of intangible assets	74,418	70,774
Gain on disposal of capital assets	(5,900)	(700)
Amortization of deferred capital contributions	(390,994)	(393,001)
Change on unrealized (gain) loss on investment	(1,744)	18,362
	1,221,936	1,190,646
Changes in non-cash working capital:		
Accounts receivable	(172,945)	(139,083)
Inventory of food and supplies	22,675	1,490
Prepaid expenses	(133,263)	(27,511)
Accounts payable and accrued liabilities	(230,696)	(322,639)
Deferred revenue	(57,919)	(261,581)
	649,788	441,322
Investing activities:		
Contributions for capital assets (note 8)	46,000	847,446
Purchase of capital assets (note 9(b))	(386,321)	(6,815,761)
Proceeds on disposition of capital assets	5,900	700
Purchase of intangible assets (note 9(b))	(18,225)	(12,963)
	(352,646)	(5,980,578)
Financing activities:		
Net additions to investments	2,553	(8,228)
Mortgages cash received	–	4,506,733
Mortgage repayment	(368,513)	(43,087)
Repayment of capital lease obligation for vehicle	(992)	(5,171)
Decrease (increase) in capital replacement reserve funding	3,153	(1,052)
Increase in mortgage reserve funding	(107,073)	-
	(470,872)	4,449,195
Decrease in cash	(173,730)	(1,090,061)
Beginning of year:		
Cash and cash equivalents	4,155,497	4,523,645
Restricted cash	165,051	886,964
	4,320,548	5,410,609
End of year:		
Cash and cash equivalents	4,064,491	4,155,497
Restricted cash for capital	82,327	165,051
	4,146,818	4,320,548
Cash and cash equivalents and restricted cash, end of year	$ 4,146,818	$ 4,320,548

See accompanying notes to financial statements.

Hull Services (the "Agency") provides leading edge and effective behavioral and mental health services for children and families. Hull is a leader in advocating and engaging others towards realizing this vision. The Agency is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

The Agency was originally incorporated by the William Roper Hull Home Act of the Legislative Assembly of the Province of Alberta consented to on April 8, 1954. The original Act was subsequently amended on several occasions (March 29, 1956; April 7, 1959; March 29, 1963; June 6, 1974; June 17, 1987; May 30, 2000 and most recently May 13, 2011) to modify and expand the corporate powers and authority of the Agency, to more accurately describe the nature and scope of its activities and to change its name to its current name of Hull Services.

The Agency follows Part III of the CPA Handbook - Canadian accounting standards for not-for-profit organizations.

1. Significant accounting policies:

(a) Revenue recognition:

The Agency follows the deferral method of accounting for contributions, which include donations and government grants.

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 incurred. Contributions restricted to the purchase of capital assets are deferred and amortized into operations on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

(b) Interest in the William Roper Hull Home Trust:

Four-fifths of the residual of the Estate of the late William Roper Hull was applied to The William Roper Hull Home Trust for the benefit of the Agency.

The Trustees may spend, with the approval or recommendation of the Agency's Board of Governors, such portion of the Trust property to promote the emotional and psychological well-being of children and families through the provision of educational, preventative and treatment services. As at March 31, 2017, no amounts were received from the Trust property (2016 - $nil).

1. Significant accounting policies (continued):

(b) Interest in The William Roper Hull Home Trust (continued):

The Trustees may invest the balance of the Trust property remaining and pay the net annual income therefrom to the Agency to be used as may be determined by the Agency's Board, but particularly for the maintenance and support of the Agency.

(c) Capital assets:

Purchased capital assets are stated at cost. Contributed assets are recorded at fair market value at the date of acquisition. Depreciation of assets under construction does not commence until they are placed in use.

Depreciation is provided for on a straight-line basis over the following terms:

Assets	Rate
Buildings and improvements	35 years
Furniture and equipment	3 - 5 years
Vehicles	5 years

Property, plant and equipment are tested for impairment whenever a change in events or circumstances indicates that their carrying values may not be recoverable. Any resulting impairment loss is recognized in the period it is determined and is calculated as the excess of the carrying value of the asset over its fair value.

(d) Intangible assets:

Purchased intangible assets are stated at cost. Internally generated assets are recorded as the sum of expenditures incurred from the date when the intangible asset first meets the recognition criteria. An intangible asset shall be recognized if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and the cost of the asset can be measured reliably. The internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Depreciation of intangible assets under construction does not commence until they are placed in use.

Depreciation is provided for on a straight-line basis as follows:

Assets	Rate
Software	5 years

1. Significant accounting policies (continued):

(e) Donations:

Cash donations are recorded at the time of receipt. Donations of materials and services, including volunteer services, are not recognized in the financial statements of the Agency.

(f) Cash and cash equivalents:

Cash and cash equivalents include bank balances as well as money market investments with terms less than 90 days from the date of issue, net of restricted cash for capital.

(g) Restricted cash for capital:

Restricted cash for capital includes unspent contributions for capital assets net of contributions included in assets under construction.

(h) Inventory of food and supplies:

Inventory is carried at the lower of cost or net realizable value, with cost determined on a first-in first-out basis.

(i) Investments:

Investments are recognized in the statement of financial position at fair value. The estimated fair values of recognized financial instruments have been determined based on closing prices.

(j) Capital leases:

Capital leases are recorded at the present value of the minimum lease payments using the lower of the lessee's rate for incremental borrowing and the interest rate implicit in the lease as the discount rate. Capital leases are amortized over the period of expected use, on a basis that is considered consistent with the Agency's depreciation policy for other similar fixed assets. If the lease contains terms that allow ownership to pass to the Agency or a bargain purchase option, the period of amortization shall be the economic life of the asset. Otherwise, the property shall be amortized over the lease term.

Depreciation is provided for on a straight-line basis over the following terms:

Assets	Rate
Vehicles	5 years

1. Significant accounting policies (continued):

(k) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Agency determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Agency expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(l) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from those estimates. Estimates may include investment values and the recoverability and useful life of property and equipment.

(m) Interest in joint arrangements:

The Agency accounts for its investments in operations which are jointly controlled using proportionate consolidation whereby the Agency's proportionate share of the assets, liabilities and the related revenues and expenses are included in the financial statements.

2. Restricted cash for capital:

	2017	2016
Balance, beginning of year	$165,051	$1,592,095
Add:		
Contributions received	46,000	847,446
Less:		
Current year's contributions spent	19,133	698,809
Prior years' contributions spent	109,591	1,575,681
Balance, end of year	$ 82,327	$ 165,051

3. Investments:

			2017	2016
	Scholarship Fund	Contingency Fund	Total at fair value	Total at fair value
Balance, beginning of year	$ 189,759	$ 508,635	$ 698,394	$ 708,528
Investment income	2,625	7,071	9,696	20,403
Change in unrealized gains (losses) on investments	4,534	(2,790)	1,744	(18,362)
Disbursements	(12,250)	–	(12,250)	(12,175)
Balance, end of year	$ 184,668	$ 512,916	$ 697,584	$ 698,394

The Agency invests in certain bonds and marketable securities. The Agency mitigates exposure in its investment portfolio by investing in accordance with established investment approval practices.

The Scholarship Fund represents appropriated funds which have been set aside, at the discretion of the Board of Governors, for the granting of scholarships to employees to further their education in the field of child care.

The Contingency Fund represents appropriated funds which have been set aside and can be used for discretionary purposes based on direction from the Board of Governors.

3. Investments (continued):

Investments consist of the following portfolios:

	2017	2016
Cash and cash equivalents	$ 12,203	$ 9,164
Medium and long-term investment funds:		
Bonds	622,818	631,972
Canadian equities	35,513	33,608
Global equities	27,050	23,650
Total investment fund	$ 697,584	$ 698,394

The fair value of medium and long-term funds fluctuate based on interest rates and other market conditions that affect the Canadian and global equity markets.

Bonds mature on January 26, 2022 and bear an interest rate of 4.6%.

4. Capital assets:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Land and improvements	$ 969,031	$ –	$ 969,031	$ 969,031
Buildings and improvements	31,533,064	13,636,781	17,896,283	18,396,513
Furniture and equipment	5,106,016	4,918,100	187,916	261,571
Vehicles	1,071,084	991,729	79,355	63,359
	$ 38,679,195	$ 19,546,610	$ 19,132,585	$ 19,690,474

The City of Calgary has a reserve caveat against a small portion of non-usable land on the north-side of property owned by the Agency.

5. Intangible assets:

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Software	$ 372,093	$ 259,743	$ 112,350	$ 168,543
	$ 372,093	$ 259,743	$ 112,350	$ 168,543

6. Mortgages payable:

Description	Monthly Pmt Princ+Int	Interest rate	Renewal date	2017 Principal	2016 Principal
Mortgage – fixed, closed	$1,265	2.89%	December 12, 2018	$ 28,134	$ 42,284
Mortgage – fixed, closed	738	1.53%	December 1, 2017	48,708	56,753
Mortgage – fixed, closed	821	2.89%	December 12, 2018	40,812	49,362
Mortgage – fixed, closed	628	2.89%	December 12, 2018	23,836	30,582
Mortgage – fixed, closed	628	2.89%	December 12, 2018	23,836	30,582
Mortgage – fixed, closed	40,000	3.50%	May 5, 2021	4,182,457	4,506,733
				4,347,783	4,716,296
Less current portion of mortgages payable				(424,916)	(368,664)
				$3,922,867	$4,347,632

Each mortgage is payable in monthly installments including interest at the indicated effective interest rates, compounded semi-annually. Each facility is secured by specific buildings, inventory, equipment, and lands of the Agency and subject to renewal on the indicated dates.

The Agency has secured funding to cover the life of the 3.50% mortgage.

6. Mortgages payable (continued):

The Agency is committed to payments of principal and interest on its mortgages as follows:

Fiscal Year	Principal	Interest	Total
2017-2018	$ 424,917	$ 144,426	$ 569,343
2018-2019	430,436	130,346	560,782
2019-2020	363,209	116,791	480,000
2020-2021	376,445	103,555	480,000
2021-2022	2,752,776	16,271	2,769,047
	$ 4,347,783	$ 511,389	$ 4,859,172

7. Capital leases:

The Agency has financed certain capital assets and equipment by entering into capital leasing arrangements. Capital lease repayments are due as follows:

	2017	2016
2017	$ 5,760	$ 5,480
2018	–	1,383
Total minimum lease payments	5,760	6,863
Less amount representing interest (at rates ranging from 3.25%)	(48)	(159)
Present value of net minimum capital lease payments	5,712	6,704
Current portion of obligations under capital leases	5,712	5,341
Capital lease repayments	$ –	$ 1,363

Interest of $205 relating to capital lease obligations was included in interest expense. The total amount of vehicle under capital lease is $62,303 with related accumulated amortization $24,812. The leases mature on June 26, 2017 and November 15, 2017, respectively. The leases are secured by the leased assets.

8. Contributions for capital assets:

Contributions for capital assets include the unamortized portion of externally restricted contributions received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2017	2016
Balance, beginning of year	$10,451,779	$ 9,997,334
Add:		
Contributions spent	19,133	698,809
Contributions unspent	26,867	148,637
	46,000	847,446
Less:		
Amounts amortized to revenues	(390,994)	(393,001)
Balance, end of year	$10,106,785	$10,451,779

9. Invested in capital and intangible assets:

(a) Invested in capital and intangible assets are calculated as follows:

	2017	2016
Capital assets	$ 19,132,585	$ 19,690,474
Intangible assets	112,350	168,543
Amounts financed by capital contributions	(10,106,785)	(10,451,779)
Amounts financed by capital lease	(5,712)	(6,704)
Amounts financed by mortgages	(4,347,783)	(4,716,296)
	$ 4,784,655	$ 4,684,238

9. Invested in capital and intangible assets (continued):

(b) Change in net assets invested in capital assets is calculated as follows:

	2017	2016
Excess of expenses over revenues:		
Amortization of capital contributions	$ 390,994	$ 393,001
Amortization of capital assets and intangible assets	(1,018,628)	(1,098,633)
	$ (627,634)	$ (705,632)
Net change in invested in capital assets:		
Capital assets acquired	$ 386,321	$ 6,815,761
Intangible assets acquired	18,225	12,963
Amount funded by capital contributions	(46,000)	(847,446)
	$ 358,546	$ 5,981,278

10. Line of credit:

As at March 31, 2017, the Agency had available a line of credit in the amount of $250,000 (2016 - $250,000). The line of credit is secured by certain lands held by the Agency and bears interest at the lender's prime rate plus 0.25%. As at March 31, 2017, no amounts were drawn on this facility (2016 - $nil).

11. Grants and donations:

Contributions are received from unsolicited donations, annual campaigns, special fund-raising events, corporate sponsorships and grants. For the purposes of the Alberta Charitable Fund-raising Act, the total money contributions and disposition of funds raised, net of deferred balances, is as follows:

	2017	2016
Operating Community Based Programs	$ 1,764,137	$ 1,620,488
Supporting General Agency Operations	1,198,890	1,253,623
Capital Asset Purchases and Renovations	157,560	627,339
Operating Residential Programs	1,153,013	964,121
Operating School Programs	127,636	169,813
	$ 4,401,236	$ 4,635,384

11. Grants and donations (continued):

Expenses incurred for the purpose of soliciting contributions were $691,474 (2016 - $669,121), which includes $549,991 (2016 - $528,509) in remuneration to employees whose principal duties involve fund-raising. Remuneration to employees is not applied against donations and grant contributions received. Remaining fundraising expenses are included in the facility services and administrative expenses.

12. Hull Child and Family Foundation:

The Hull Child and Family Foundation (the "Foundation") was incorporated under the Societies Act of Alberta with the objective of providing financial investment services and related financial support to the Agency. During the year ended March 31, 2017, the Foundation distributed $414,000 (2016 - $420,000) to the Agency. Recognized revenue is included in grants and donation revenues.

13. Joint Arrangement:

Effective June 8, 2015, the Agency entered into an agreement with The ChildTrauma Academy (the "CTA") to jointly sponsor the 2nd International Neurosequential Model of Therapeutics Symposium (the "NMT Symposium").

The Neurosequential Model of Therapeutics (the "NMT") offers a developmentally and biologically informed approach to working with children and youth who have experienced significant childhood trauma. The NMT Symposium is a three-day event that features innovations in research, clinical practice and education in all areas related to maltreatment and trauma, with a focus on the NMT. The operation of the NMT Symposium is managed by the Agency and the CTA in accordance with the contractual agreement.

The Agency has a 50% interest in the assets, liabilities, revenues and expenses of the NMT Symposium. The Agency has included in the financial statements its percentage of the assets, liabilities, revenues and expense of the NMT Symposium.

The 2016 NMT Symposium was held June 8 – 10, 2016. The surplus was disbursed to the two parties by March 31, 2017.

13. Joint Arrangement (continued):

Financial summaries of the NMT Symposium for the year ended March 31, 2017, with comparative information for 2016, are as follows:

(a) Financial Position

	2017		2016	
	Total	50%	Total	50%
Assets:				
Cash and cash equivalents	$ –	$ –	$ 484,032	$ 242,016
Accounts receivable	–	–	1,405	703
	–	–	485,437	242,719
Liabilities:				
Accounts payable and accrued liabilities	–	–	12,024	6,012
Deferred revenue	–	–	473,413	236,707
	$ –	$ –	$ 485,437	$ 242,719

(b) Results of Operations

	2017		2016	
	Total	50%	Total	50%
Revenue:				
Investment and other income - registration	$ 549,520	$ 274,760	$ 20,738	$ 10,369
	549,520	274,760	20,738	10,369
Expenses:				
Client services - food and refreshments	130,970	65,485	–	–
Client services – materials and supplies	3,330	1,665	–	–
Facility services - facility rental	6,667	3,334	10,500	5,250
Transportation - travel and hotel	55,763	27,882	–	–
Administrative	27,517	13,758	10,238	5,119
	$ 224,247	$ 112,124	$ 20,738	$ 10,369

13. Joint Arrangement (continued):

(b) Results of Operations

	2017		2016	
	Total	50%	Total	50%
Excess of revenues over expenses	$ 325,273	$ 162,636	$ –	$ –

14. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $329,237 (2016 - $313,472) which relates to payroll remittances and goods and services tax payable of $906 (2016 - $5,899).

15. Financial instruments and related risks:

(a) Currency risk:

The Agency is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. The Agency holds foreign equities that would be impacted by exchange rate fluctuations.

(b) Liquidity risk:

Liquidity risk is the risk that the Agency will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Agency manages its liquidity risk by monitoring its operating requirements. The Agency prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Agency is exposed to credit risk with respect to its accounts receivable. The Agency assesses, on a continuous basis, its receivables and provides for any amounts that are not collectible in the allowance for doubtful accounts.

Concentration of credit risk arises as a result of exposures to a single debtor or to a group of debtors similarly affected by changes in economic, political, or other conditions. The Agency monitors credit risk by assessing the collectability of the amounts.

Cash and cash equivalents are held at financial institutions that are considered to be creditworthy by the Agency.

15. Financial instruments and related risks (continued):

(d) Interest rate risk:

The Agency is exposed to interest rate risk on its fixed interest rate financial instruments.

(e) Market risk:

The Agency is exposed to market risk on its investments. The Agency manages this risk by diversified investments across various assets classes. The Agency is exposed to equity price risk on its marketable securities. The Agency manages this risk by ensuring compliance with its investment approval practices.