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ALZHEIMER SOCIETY OF TORONTO

FINANCIAL STATEMENTS

MARCH 31, 2017



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MARCH 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Members of
Alzheimer Society of Toronto

REPORT ON THE FINANCIAL STATEMENTS

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

INDEPENDENT AUDITORS' REPORT (continued)

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

Basis for Qualified Opinion

In common with many charitable organizations, the Society derives revenue from the general public in the form of cash raised from fundraising events and donations, the completeness of which are not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Society. Therefore we were not able to determine whether any adjustments might be necessary to fundraising events and donations revenue, excess of revenue over expenses and cash flows for the year end March 31, 2017 and March 31, 2016, current assets as at March 31, 2017 and March 31, 2016, and net asset balances as at the beginning and end of the years ended March 31, 2017 and March 31, 2016. Our audit opinion on the financial statements for the year ended March 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Alzheimer Society of Toronto as at March 31, 2017, 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the *Canada Corporation Act, Corporations Act (Ontario)*, we report that, in our opinion, Canadian generally accepted accounting principles/Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

KRIENS-LAROSE, LLP



Chartered Professional Accountants
Licensed Public Accountants

June 12, 2017
Toronto, Ontario

ALZHEIMER SOCIETY OF TORONTO
 STATEMENT OF FINANCIAL POSITION
 AS AT MARCH 31, 2017

| | 2017 \$ | 2016 \$ |
|--|------------|------------|
| ASSETS | | |
| CURRENT | | |
| Cash | 14,911 | 36,100 |
| Short term investments (note 2) | 3,133,808 | 3,169,251 |
| Accounts receivable | 141,403 | 199,775 |
| Prepaid expenses and deposits | 43,606 | 14,312 |
| | 3,333,728 | 3,419,438 |
| CHARITABLE REMAINDER TRUST (note 3) | - | 66,822 |
| CAPITAL ASSETS (note 4) | 104,943 | 131,770 |
| | 3,438,671 | 3,618,030 |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | 431,335 | 578,985 |
| Deferred revenue (note 5) | 533,268 | 437,041 |
| Current portion of tenant lease inducements | 35,124 | 35,124 |
| Current portion of deferred capital contributions (note 6) | 15,000 | 15,000 |
| | 1,014,727 | 1,066,150 |
| LONG TERM | | |
| Tenant lease inducements | 23,415 | 58,539 |
| Deferred capital contributions (note 6) | 10,000 | 25,000 |
| Externally restricted contributions (note 7) | 248,048 | 362,005 |
| | 1,296,190 | 1,511,694 |
| Commitments (note 8) | | |
| NET ASSETS | | |
| INTERNALLY RESTRICTED (note 11) | - | 55,105 |
| UNRESTRICTED | 2,142,481 | 2,051,231 |
| | 2,142,481 | 2,106,336 |
| | 3,438,671 | 3,618,030 |

APPROVED ON BEHALF OF THE BOARD:

 , President

 , Treasurer

See accompanying notes to the financial statements

ALZHEIMER SOCIETY OF TORONTO
STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED MARCH 31, 2017

| | Internally Restricted \$ | Unrestricted \$ | 2017 Total \$ |
|------------------------------------|--------------------------------|--------------------|---------------------|
| BALANCE , beginning of year | 55,105 | 2,051,231 | 2,106,336 |
| Excess of revenues over expenses | - | 36,145 | 36,145 |
| Approved expenditures (note 11) | (55,105) | 55,105 | - |
| BALANCE , end of year | - | 2,142,481 | 2,142,481 |

| | Internally Restricted \$ | Unrestricted \$ | 2016 Total \$ |
|--------------------------------------|--------------------------------|--------------------|---------------------|
| BALANCE , beginning of year | 319,138 | 2,269,957 | 2,589,095 |
| Deficiency of revenues over expenses | - | (482,759) | (482,759) |
| Approved expenditures (note 11) | (264,033) | 264,033 | - |
| BALANCE , end of year | 55,105 | 2,051,231 | 2,106,336 |

ALZHEIMER SOCIETY OF TORONTO
STATEMENT OF OPERATIONS
 FOR THE YEAR ENDED MARCH 31, 2017

| | 2017 \$ | 2016 \$ |
|--|------------|------------|
| REVENUES | | |
| Support from public | | |
| Events | 1,495,480 | 1,414,172 |
| Corporate giving | 1,038,877 | 1,030,674 |
| Individual giving and direct marketing | 688,974 | 824,881 |
| Bequests | 452,523 | 46,543 |
| | 3,675,854 | 3,316,270 |
| Government health programs | 1,334,113 | 1,334,113 |
| Literature and seminars | 416,519 | 187,465 |
| Partner charities | 300,000 | 307,129 |
| Sundry and interest | 22,831 | 36,851 |
| Amortization/recognition of deferred capital contributions (note 6) | 15,000 | 15,000 |
| Shared services and secondment recoveries (note 10) | - | 201,038 |
| | 5,764,317 | 5,397,866 |
| EXPENSES | | |
| Program and services (Schedule I) | 4,057,260 | 4,225,852 |
| Fundraising (Schedule II) | 1,438,299 | 1,423,553 |
| Administration (Schedule III) | 232,613 | 231,220 |
| | 5,728,172 | 5,880,625 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES | 36,145 | (482,759) |

See accompanying notes to the financial statements

ALZHEIMER SOCIETY OF TORONTO
SCHEDULES TO STATEMENT OF OPERATIONS
 FOR THE YEAR ENDED MARCH 31, 2017

| | 2017 \$ | 2016 \$ |
|---|-------------|-------------|
| SCHEDULE I | | |
| <i>Program and services:</i> | | |
| Salaries and benefits allocation (note 9) | 2,045,666 | 2,102,995 |
| Other program direct costs | 764,613 | 791,453 |
| Administrative overhead allocation (note 9) | 752,801 | 831,694 |
| Caregiver framework direct program costs | 356,253 | 377,900 |
| Education and awareness | 87,927 | 76,810 |
| Research | 50,000 | 45,000 |
| | 4,057,260 | 4,225,852 |
| SCHEDULE II | | |
| <i>Fundraising:</i> | | |
| Salaries and benefits allocation (note 9) | 671,774 | 674,165 |
| Events and programs | 516,005 | 485,042 |
| Administrative overhead allocation (note 9) | 250,520 | 264,346 |
| | 1,438,299 | 1,423,553 |
| SCHEDULE III | | |
| <i>Administration:</i> | | |
| Salaries and benefits allocation (note 9) | 532,963 | 615,542 |
| Building occupancy | 257,107 | 255,613 |
| General office expenses and supplies | 208,873 | 169,156 |
| Professional services | 80,146 | 137,641 |
| Conference and travel | 56,133 | 53,506 |
| Amortization | 55,994 | 54,340 |
| Telephone | 21,011 | 18,248 |
| Miscellaneous | 9,264 | 10,486 |
| Insurance | 6,446 | 6,664 |
| Meetings | 4,369 | 3,369 |
| Dues and memberships | 3,627 | 2,695 |
| Administrative overhead allocation (note 9) | (1,003,320) | (1,096,040) |
| | 232,613 | 231,220 |

See accompanying notes to the financial statements

| | 2017 | 2016 |
|--|-----------|-----------|
| | \$ | \$ |
| CASH WAS PROVIDED BY (USED IN): | | |
| OPERATING ACTIVITIES | | |
| Excess (deficiency) of revenues over expenses | 36,145 | (482,759) |
| Items not involving cash: | | |
| Amortization of capital assets | 55,994 | 54,340 |
| Amortization of deferred capital contributions | (15,000) | (15,000) |
| Tenant lease inducements | (35,124) | (35,124) |
| | 42,015 | (478,543) |
| Changes in non-cash working capital balances: | | |
| Accounts receivable | 58,372 | (73,961) |
| Prepaid expenses and deposits | (29,294) | (1,517) |
| Accounts payable and accrued liabilities | (147,650) | 385,487 |
| Deferred revenue | 96,227 | 166,876 |
| | 19,670 | (1,658) |
| FINANCING ACTIVITIES | | |
| Externally restricted contributions (used) in the year | (113,957) | (165,908) |
| INVESTING ACTIVITIES | | |
| Decrease in short term investments | 35,443 | (736,449) |
| Decrease in long term investments | - | 952,840 |
| Purchase of capital assets | (29,167) | (4,844) |
| Decrease in Charitable Remainder Trust | 66,822 | (29,980) |
| | 73,098 | 181,567 |
| Change in cash | (21,189) | 14,001 |
| Cash, beginning of year | 36,100 | 22,099 |
| Cash, end of year | 14,911 | 36,100 |

PURPOSE OF THE SOCIETY

The Alzheimer Society of Toronto (the "Society") was established as a charitable organization in 1981. The role of the Society is to offer support, information and education to persons with dementia, their families and their caregivers, to increase public awareness of dementia, to promote research, and to advocate for services that respect the dignity of the individual.

The Society is a registered charity under the Income Tax Act (Canada) and as such, is exempt from income taxes and is able to issue tax-deductible receipts to donors.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Handbook and include the following significant accounting policies:

Financial instruments:

The Society initially measures its financial assets and financial liabilities at fair value. The Society subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in the statement of operations. Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable.

Revenue recognition:

The Society follows the deferral method of accounting for contributions which include proceeds from fundraising events, donations, bequests and literature and seminars. 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 (including grants) are recognized as revenue in the year in which the related expenses are incurred or the restriction is removed by the donor.

Interest is recognized as revenue in the period in which it is earned.

Contributed capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Gifts-in-kind are recorded at fair value at the date of contribution.

Donations received by way of charitable remainder trusts vest irrevocably with the Society. These donations are tax-receipted by the Society and are recorded as revenue and contribution receivable at the estimated fair market value upon establishment of the trust. The difference between the fair market value and the residual value is amortized to revenue based on the assumptions of the original actuarial valuation.

Cash and Cash Equivalents:

Cash and cash equivalents consist of cash on hand and fixed income investments with maturities of less than 90 days.

Continued...

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepaid expenses:

Prepaid expenses are recorded for goods and services being received in the next fiscal year but paid for in the current year. The balance at year end represents amounts paid for insurance, maintenance contracts and venue deposits.

Capital assets and amortization:

Capital assets are stated at acquisition cost. Amortization is provided on a straight line basis from the month of purchase over the estimated useful lives of the assets as follows:

| | |
|-------------------------|---------|
| Furniture and equipment | 5 years |
| Computer equipment | 3 years |
| Computer software | 2 years |

Leasehold improvements are amortized on a straight line basis over the term of the lease. Where equipment no longer has any long-term service potential to the Organization, the excess of their net carrying amount over any residual value is recognized as an expense in the statement of operations.

Tenant lease inducements:

Tenant lease inducements consist of cash inducements for leasehold improvements as well as rent-free periods. These are amortized over the term of the lease and allocated to rent expense.

Allocation of expenses:

The Society engages in various fundraising and service programs. The cost of these programs include the expenses that are directly related to providing the service. The Society also incurs salaries, benefits and administration expenses that are common to the Society and each of its programs. The Society allocates certain of its salaries, benefits and administration expenses on the basis as disclosed in note 9.

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 and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates. Significant financial statement items that require the use of estimates include collectibility of accounts receivable, useful lives of property and equipment, rates of amortization and accrued liabilities. These estimates are reviewed periodically and adjustments are made, as appropriate, in the statement of operations in the year they become known.

Donated services:

During the year, voluntary services were provided. Because these services are not normally purchased by the Society, and because of the difficulty of determining their fair value, donated services are not recognized in these statements.

Continued...

2. SHORT TERM INVESTMENTS

Short term investments consist of guaranteed investment certificates which have maturities within the next 12 months and interest rates ranging between 0.4% and 1.22% (2016 - 1.01% and 1.75%). Short term investments are reported at cost plus accrued interest which approximates fair value.

3. CHARITABLE REMAINDER TRUST

In 2017 and prior years, the Society has/had entered into three charitable remainder trust agreements. Charitable remainder trusts are an arrangement whereby individuals place cash into an irrevocable trust with the Society appointed as the beneficiary. The income from the trust is paid to the donor for life and upon the donor's death the Society will receive the capital in trust. A charitable tax receipt is issued to the donor based on the estimated fair market value upon the establishment of the trusts.

During the 2017 fiscal year, the donor of the three trusts passed away and the Society received a total of \$196,565, from which \$129,743 was recognized in revenue during the current fiscal year and \$66,822 was recognized in revenue in previous years.

4. CAPITAL ASSETS

| | 2017 | | 2016 | |
|------------------------------------|------------|-----------------------------------|------------|-----------------------------------|
| | Cost \$ | Accumulated Amortization \$ | Cost \$ | Accumulated Amortization \$ |
| Furniture and equipment | 176,244 | (154,671) | 168,428 | (146,527) |
| Computer equipment and software | 133,919 | (113,484) | 112,568 | (103,395) |
| Leasehold improvements | 374,161 | (311,226) | 374,161 | (273,465) |
| | 684,324 | (579,381) | 655,157 | (523,387) |
| Less accumulated amortization | (579,381) | | (523,387) | |
| | 104,943 | | 131,770 | |

Continued...

5. DEFERRED REVENUE

Deferred revenue consists of money received for events/funding in advance of the event date or the related expenditure and is summarized as follows:

| | 2017 | 2016 |
|---|---------|---------|
| | \$ | \$ |
| George C. Hunt Family Foundation | 256,604 | 156,786 |
| Other | 150,243 | 147,289 |
| Trillium Foundation-Dementia Friendly Communities | 59,670 | - |
| Ontario Trillium Minds in Motion | 35,072 | 34,500 |
| Community Connection Enriches Grant | 24,357 | 21,278 |
| Temerty Family Foundation | 7,322 | 9,188 |
| Ontario Trillium Volunteer Mobilization | - | 50,500 |
| Ontario Trillium Foundation | - | 17,500 |
| Balance, end of year | 533,268 | 437,041 |

6. DEFERRED CAPITAL CONTRIBUTIONS

Pursuant to an agreement dated June 26, 2008, the Society received a grant of \$150,000 from the Ontario Trillium Foundation. The purpose of the grant was to assist the Society with its co-location costs to achieve efficiency savings and increase access to coordinated services and resources for clients with dementia across Toronto. Since this grant was used to offset purchases of capital assets, it is being amortized over the same term as the amortization of the related capital assets.

| | 2017 | 2016 |
|----------------------------|----------|----------|
| | \$ | \$ |
| Balance, beginning of year | 40,000 | 55,000 |
| Amortization | (15,000) | (15,000) |
| Current portion | 25,000 | 40,000 |
| Long term portion | 15,000 | 15,000 |
| Long term portion | 10,000 | 25,000 |

Continued...

7. EXTERNALLY RESTRICTED CONTRIBUTIONS

Externally restricted contributions represent donation/pledges received that cannot be taken into income until certain conditions related to the contributions are met. These externally restricted contributions are summarized as follows:

| | 2017 \$ | 2016 \$ |
|--|------------|------------|
| The Emily Bertoldi-Bernice Bogart Fund for Dementia Counselling | 193,579 | 167,555 |
| The George C. Hunt Family Foundation \$1Million Matching Gifts Campaign | 54,469 | 194,450 |
| Balance, end of year | 248,048 | 362,005 |

(a) The Emily Bertoldi - Bernice Bogart Fund for Dementia Counselling

On January 31, 2010, the Society entered into a pledge agreement whereby two individual contributors pledged \$25,000 per year for five years (commencing in calendar year 2010). Of the \$25,000 pledge, \$10,000 is unrestricted and can be spent on general purposes. The balance of the pledge is set aside into an externally restricted fund, the terms of which will be reviewed by the contributors to determine whether and when any portion of the fund may be released for a specified or general use. Interest on the funds will accrue and remain in the fund over the term of the pledge. In 2017, \$2,044 (2016 - \$1,670) of interest was earned on these funds and allocated to the fund.

On January 31, 2015, a new agreement was signed, whereby the two individuals pledged \$30,000 per year for five years (commencing December 2015). Of the \$30,000 pledge, \$15,000 will be unrestricted and can be spent for general purposes. The remaining \$15,000 (plus any additional donations designated to the Fund from these individuals or other third parties) will remain in the Fund. Interest will continue to compound on the Fund over the duration of the pledge.

(b) The George C. Hunt Foundation \$1 Million Matching Gifts Campaign

On November 27, 2013, the Society received \$500,000 from the George C. Hunt Foundation. Access to these funds require matching of new donations/pledges of at least \$5,000 that are designated to either the Alzheimer's Counselling and Financial Support Program or the Memory and Music: ipod project.

During the year, matching funds totaling \$139,981 (2016: \$191,908) has been released from the externally restricted fund and transferred to deferred revenue to be expended in accordance with the initiatives noted. As such, \$139,548 was expended in 2017 (2016: \$191,908) and 433 remains in deferred revenue to be expended in a future period. In addition, the Society has a remaining balance of 54,469 in the externally restricted fund that should be matched by the end of the 2018 fiscal year.

Continued...

8. COMMITMENTS

- (i) Pursuant to a the co-tenancy agreement, signed April 1, 2008, the Alzheimer Society of Ontario ("ASO"), the Alzheimer Society of Canada ("ASC"), and the Society co-located in new premises in order to benefit from efficiencies of scale. The lease was subsequently renewed and signed April 11, 2017. The co-tenancy agreement sets out the terms of the sharing of costs (based on the related cost drivers, which are primarily shared equally to each of the three co-tenants). Shared costs include leasehold improvements, furniture, equipment, rent, phones and IT. The Society's portion of the operating lease commitments is as follows:

| | |
|-----------|--------------|
| 2018 | 124,943 |
| 2019 | 83,295 |
| 2020 | 121,655 |
| 2021 | 122,203 |
| 2022 | 123,299 |
| 2023-2029 | 852,953 |
| | \$ 1,428,348 |

In addition, the Society is responsible for its share of tax escalation and common area charges. During the year, the Society paid \$181,697 (2016- \$188,984) in tax escalation and common area charges. Further, the Society accrued property tax rebates of \$8,957 (2016 - \$17,738) during the year.

Net leasehold inducements of \$35,124 (2016 - \$35,124) have been offset against rent expense on the statement of operations.

- (ii) Effective April 1, 2009, the Society (along with 38 member chapters in Ontario at that time) entered into a five year federation agreement with ASO which included a revenue sharing formula. Under this agreement the Society received \$300,000 (2016 - \$307,129) from ASO, of which \$300,000 was the minimum positive differential allocated to the Society under the terms of the agreement. Although the original agreement expired April 1, 2014, the Society and ASO extended the agreement to March 31, 2017.

Effective April 1, 2017, the Society (along with 29 member chapters in Ontario) entered into a three year federation agreement with ASO (with an option to renew for an additional two years), which includes a detailed revenue sharing formula. Under this agreement for the first three years, the Society will receive an annual minimum revenue distribution of its proportionate share of \$1,000,000 based on the Society net revenue (as defined in the agreement) divided by the total net revenue of all federation parties (excluding ASO).

Management estimates that in fiscal 2018, the proportionate share of net revenue as defined under the agreement will approximate that of fiscal 2017.

Continued...

9. EXPENSE ALLOCATIONS

Salaries, benefits and administration expenses are allocated among fundraising, program and services, and administration based on the time staff dedicated to various programs. During the year, 20% (2016: 20%) was allocated to fundraising, 61% (2016: 63%) was allocated to program and services, and 19% (2016: 17%) was allocated to administration. The dollar amount of salaries, benefits and general administrative expenses allocated to program have been disclosed in the schedules to the statement of operations.

10. SHARED SERVICES AND COST RECOVERIES

Effective April 1, 2016, the Society, in conjunction with Alzheimer Society of Canada (ASC) and Alzheimer Society of Ontario (ASO), agreed to merge the finance operations of each organization into one Shared Services department. The costs and recoveries related to this decision were charged to operations in the 2016 fiscal year and the three organizations agreed to share the costs for this restructuring equally. During the 2017 fiscal year, total costs of \$531,127 related to the Shared Services department were charged by ASO.

11. INTERNALLY RESTRICTED FUND

On March 31, 2012, the Board approved the transfer of \$500,000 from the unrestricted net assets to an internally restricted Strategic Plan Fund. This fund is to be used for mission-related activities. Access to the fund, or to any portion thereof, will require authorization via a Board motion, and all funds must be expended over the term of the next Strategic Plan. During the year, \$55,105 (2016 - \$264,033) was expended for this specific purpose and has been approved by the Board as a draw down from the Fund. As of March 31, 2017 the fund is fully depleted.

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted for the current year.

13. FINANCIAL INSTRUMENTS

The Society is exposed to various risks through its financial instruments. The following presents the Society's risk exposures and concentrations at March 31, 2017.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Society's credit risk would occur with their accounts receivable from sponsor, donors and co-tenants. Actual exposure to credit losses has been minimal in prior years. To reduce its credit risk, the Society has adopted policies which include regular review and follow up of outstanding amounts. Furthermore, risk exposure to accounts receivable from co-tenants is mitigated with co-tenancy, tri-level and federation agreements. During the year, the Society recorded a write off of event sponsorship receivable of \$60,000 (2016: \$0) due to the dishonoring of the sponsorship agreement by the sponsor. The income was reported as event revenue in the previous year when the event took place.

Liquidity risk

Liquidity risk is the risk the Society will encounter difficulties in meeting obligations associated with financial liabilities. The Society's exposure to liquidity risk mainly in respect of its accounts payables. The Association expects to meet these obligations as they come due by generating sufficient cash flow from operations and from from unrestricted reserves funded through short term investments. There has been no change in the risk assessment from the prior period.

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 comprises three types of risks: currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Society is not exposed to foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is not exposed to fair value risk due to changes in market rates of interest.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Society is not exposed to other price risk.