OAKVILLE & MILTON HUMANE SOCIETY

Financial Statements

Year Ended December 31, 2018

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Year Ended December 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the Directors of Oakville & Milton Humane Society

Qualified Opinion

We have audited the financial statements of Oakville & Milton Humane Society (the Society), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 Society as at December 31, 2018, and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Society derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues 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 revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2018, current assets and net assets as at December 31, 2018.

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 Society 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 those 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 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 Society's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

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

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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 Society'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 Society'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 Society 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.

Henderson Partners LLP

Oakville, Ontario
May 27, 2019

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

OAKVILLE & MILTON HUMANE SOCIETY

Statement of Financial Position
December 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash *(Notes 2, 7)*	**$ 422,513**	$ 122,023
Accounts receivable	**159,720**	128,350
Prepaid expenses	**11,876**	22,279
Short term investments *(Note 3)*	**208,361**	186,150
	802,470	458,802
INVESTMENTS *(Note 3)*	**2,050,035**	1,855,296
PROPERTY AND EQUIPMENT *(Note 4)*	**646,148**	657,421
INTANGIBLE ASSETS *(Note 5)*	**5,372**	7,674
	$ 3,504,025	$ 2,979,193
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	**$ 252,027**	$ 207,614
Current portion of long term debt *(Note 8)*	**23,642**	9,118
Deferred revenue	**185,063**	42,726
	460,732	259,458
LONG TERM DEBT *(Note 8)*	**73,293**	40,372
DEFERRED CAPITAL CONTRIBUTIONS *(Note 9)*	**362,035**	382,209
	896,060	682,039
NET ASSETS		
Invested in property and equipment, net	**578,227**	625,799
Charlie Fund - restricted	**355,981**	327,995
Operating - unrestricted	**1,673,757**	1,343,360
	2,607,965	2,297,154
	$ 3,504,025	$ 2,979,193

ON BEHALF OF THE BOARD

______________________________ *Director*

______________________________ *Director*

The accompanying notes are an integral component of these financial statements.

Statement of Operations
Year Ended December 31, 2018

	2018	2017
REVENUE		
Adoptions	**$ 119,010**	$ 114,222
Amortization of deferred capital contributions	**22,339**	23,967
Animal control	**804,500**	788,700
Bequests	**686,500**	268,868
Charlie Fund	**110,234**	295,649
Fundraising	**1,044,137**	1,008,645
General shelter	**482,042**	397,697
Other	**34,022**	21,876
	3,302,784	2,919,624
EXPENSES		
Administrative	**221,825**	184,970
Amortization	**83,901**	82,755
Animal care	**173,176**	181,604
Charlie Fund	**79,252**	50,028
Fundraising	**38,632**	79,270
General shelter	**297,826**	304,979
Other expenses	**87,088**	57,972
Salaries, wages, and benefits	**2,010,273**	1,772,190
	2,991,973	2,713,768
EXCESS OF REVENUE OVER EXPENSES	**$ 310,811**	$ 205,856

The accompanying notes are an integral component of these financial statements.

Statement of Changes in Net Assets
Year Ended December 31, 2018

	Invested in Property and Equipment	Restricted for Charlie Fund	Unrestricted	**2018**	2017
NET ASSETS - BEGINNING OF YEAR	$ 625,799	$ 327,995	$ 1,343,360	**$ 2,297,154**	$ 2,091,298
Excess of revenue over expenses	(61,563)	27,986	344,388	**310,811**	205,856
Investment in capital assets, net	13,991	-	(13,991)	**-**	-
NET ASSETS - END OF YEAR	$ 578,227	$ 355,981	$ 1,673,757	**$ 2,607,965**	$ 2,297,154

The accompanying notes are an integral component of these financial statements.

OAKVILLE & MILTON HUMANE SOCIETY

Statement of Cash Flow
Year Ended December 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess of revenue over expenses	**$ 310,811**	$ 205,856
Items not affecting cash:		
Amortization	**83,901**	82,755
Amortization of deferred capital contributions to revenue	**(22,339)**	(23,967)
	372,373	264,644
Changes in non-cash working capital:		
Accounts receivable	**(31,370)**	(71,954)
Accounts payable and accrued liabilities	**44,415**	(38,764)
Deferred revenue	**142,337**	12,335
Prepaid expenses	**10,403**	(87)
	165,785	(98,470)
Cash flow from operating activities	**538,158**	166,174
INVESTING ACTIVITIES		
Purchase of property and equipment	**(70,327)**	(45,151)
Investments, net	**(216,950)**	(688,726)
Cash flow used by investing activities	**(287,277)**	(733,877)
FINANCING ACTIVITIES		
Capital donation for Cat Colony	**-**	16,000
Proceeds from long term debt	**60,000**	-
Repayment of long term debt	**(12,556)**	(8,741)
Repayment of obligations under capital lease	**-**	(3,037)
Income received on building campaign contributions	**2,165**	1,986
Cash flow from financing activities	**49,609**	6,208
INCREASE (DECREASE) IN CASH FLOW	**300,490**	(561,495)
CASH BEGINNING OF YEAR	**122,023**	683,518
CASH - END OF YEAR	**$ 422,513**	$ 122,023

The accompanying notes are an integral component of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

Oakville & Milton Humane Society (the "Society"), registered its current name on February 2, 2010, changing from the Oakville & District Humane Society in order to better reflect the communities that it serves. The Society is a registered charity incorporated under the laws of the Province of Ontario as a corporation without share capital. The Society provides shelter for lost, injured or abandoned animals, adoption of unclaimed animals, investigation of cruelty complaints, animal control and humane education. In accordance with section 149 (1) of the Income Tax Act, the Society is exempt from income taxes.

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO). Canadian accounting standards for not-for-profit organizations are part of Canadian generally accepted accounting principles.

Fund accounting

The Society maintains its accounts in accordance with the principles of fund accounting. Resources are classified for accounting and reporting purposes into funds according to the activity or objective specified by determinations made by the Board of Directors.

Net assets invested in property and equipment represent the Society's investment in property and equipment net of related liabilities.

The Charlie Fund was created to cover the cost of medical emergencies for lost or abandoned animals.

General activities, excluding the items above, are reported as unrestricted net assets

Revenue recognition

The Society follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Amounts restricted for the purchase of property and equipment are deferred and recognized in revenue over the life of the related asset.

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.

Animal control revenue is recognized over the term of the underlying service contracts.

Adoption and general shelter revenue from services performed is recognized when earned.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and investments

Cash consists of cash on hand and bank deposits.

Investments are comprised of GICs and money market mutual funds. It is the general intent of the society to continue to reinvest the GIC's upon maturity.

Property and equipment

Property and equipment is stated at cost or deemed cost less accumulated amortization. Property and equipment is amortized over its estimated useful life on a declining balance basis at the following rates and methods:

Buildings	5%	declining balance method
Computer equipment	30%	declining balance method
Furniture and fixtures	20%	declining balance method
Paving	8%	declining balance method
Trailers	15%	declining balance method
Vehicles	30%	declining balance method

The Society regularly reviews its property and equipment to eliminate obsolete items. An impairment charge is recognized when an event or change in circumstances causes an asset's carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss, if any, is calculated as the difference between the fair value of the assets and their carrying value.

Intangible assets

Computer software is stated at cost or deemed cost less accumulated amortization. Computer software is being amortized on a declining balance basis at a rate of 30%.

The Society regularly reviews its computer software to eliminate obsolete items. An impairment charge is recognized when an event or change in circumstances causes an asset's carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss, if any, is calculated as the difference between the fair value of the assets and their carrying value.

Donated goods and services

Donated goods and services are recognized in the balance sheet or included in revenue and expenses when the values can be reasonably estimated and it is likely that the Society would have had to otherwise pay for these goods and services. Volunteers also contribute a considerable amount of time to the Society. Because of the difficulty in determining the fair value of the volunteer time, these contributed services are not recognized in the financial statements.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Significant estimates are used for, but not limited to, the following:

determination of fair value of investments;
estimation of useful lives of intangible assets;
calculation of deferred revenue;
accumulated amortization of capital assets.

Future events and their effect cannot be predicted with certainty. Accordingly, accounting estimates require the exercise of judgement. Actual results could differ from these estimates.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable and certain investments. Financial assets measured at fair value include marketable securities and mutual fund investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities. There are no financial liabilities measured at fair value.

Financial instruments are tested for impairment at each reporting date and when an event occurs which may have caused impairment. When a test for impairment indicates that the carrying amount exceeds the fair value, an impairment loss is recognized to the extent the carrying value exceeds its fair value. When the test indicates that the fair value exceeds the carrying amount, a reversal of the impairment loss previously recorded is recognized to the extent of the original cost.

2. CASH AND INVESTMENTS WITH RESTRICTIONS

Included in cash and investments are certain amounts that have been internally or externally restricted by the board of directors or external parties, respectively, as follows:

	2018	2017
Cash with internal restrictions	$ 197,832	$ 275,692
Cash/(Bank indebtedness)	159,681	(218,669)
Cash with external restrictions	65,000	65,000
Investments with internal restrictions	1,807,505	1,876,849
Investments with external restrictions	450,891	164,597
	$ 2,680,909	$ 2,163,469

3. INVESTMENTS

Investments include the following with maturities ranging from May 2019 to June 2020.

	2018	2017
Guaranteed Investment Certificates	$ 2,050,035	$ 1,855,296
Money Market Funds	208,361	155,910
Marketable Securities	-	30,240
	$ 2,258,396	$ 2,041,446

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	$ 3,772	$ -	$ 3,772	$ 3,772
Buildings	835,547	417,979	417,568	439,546
Computer equipment	129,433	120,640	8,793	12,409
Furniture and fixtures	389,593	299,742	89,851	112,314
Paving	20,561	17,407	3,154	3,428
Trailers	94,565	66,376	28,189	33,164
Vehicles	207,513	112,692	94,821	52,788
	$ 1,680,984	$ 1,034,836	$ 646,148	$ 657,421

Reported in the above noted groupings are capital assets that have been purchased with restricted contributions as described in Note 6.

5. INTANGIBLE ASSETS

	2018	2017
Computer software	**$ 42,990**	$ 42,990
Accumulated amortization	**(37,618)**	(35,316)
	$ 5,372	$ 7,674

Included in total amortization expense for the year is amortization of $2,302 (2017- $3,289) related to the intangible assets noted above.

Reported in the above noted groupings are intangible assets that have been purchased with restricted contributions as described in Note 6.

6. ASSETS PURCHASED WITH RESTRICTED CONTRIBUTIONS

The following assets which are reported in Notes 4 and 5 have been purchased or built with restricted contributions:

	Cost	Accumulated Amortization	2018	2017
Computer equipment				
Computer hardware	$ 90,871	$ 86,161	**$ 4,710**	$ 5,960
Computer software	34,238	32,511	**1,727**	2,467
IT upgrade	5,558	4,705	**853**	1,066
	$ 130,667	$ 123,377	**$ 7,290**	$ 9,493
Buildings				
Education Room	$ 39,000	$ 15,039	**$ 23,961**	$ 25,222
Roof	73,721	15,181	**58,540**	61,625
Dog Kitchen	58,700	7,049	**51,651**	54,370
ISO Lab and Wildlife Room	11,609	1,394	**10,215**	10,753
	$ 183,030	$ 38,663	**$ 144,367**	$ 151,970
Vehicles				
2016 Nissan Vehicles	$ 79,864	$ 46,602	**$ 33,262**	$ 47,519
2008 Toyota Vehicle	17,699	17,699	**-**	2,530
	$ 97,563	$ 64,301	**$ 33,262**	$ 50,049
Furniture and fixtures				
Cat Colony	$ 25,662	$ 7,185	**$ 18,477**	$ 23,096

7. DEMAND LOAN PAYABLE

The Society has a revolving demand credit facility of $250,000. The facility bears interest at the bank's prime rate plus 1% and is secured by a general security agreement constituting a first ranking security interest in all personal property of the Society; security agreement (chattel mortgage) constituting first ranking and specific interest in vehicles; and secured by a collateral mortgage for $250,000 on the lands and improvements located at 455 Cornwall Road, Oakville, Ontario. As at December 31, 2018, the outstanding balance on this debt is $Nil (2017 - $160,000).

8. LONG TERM DEBT

	2018	2017
Two automobile loans bearing interest at 4.24%, each repayable in monthly blended payments of $459. The loans mature on September 1, 2022.	**$ 40,373**	$ 49,490
RBC vehicle loan bearing interest at 4.75% per annum, repayable in monthly blended payments of $688. The loan matures on July 4, 2022. The security of the loan is outlined in Note 7.	**27,131**	-
RBC vehicle loan bearing interest at 4.75% per annum, repayable in monthly blended payments of $688. The loan matures on December 6, 2022. The security of the loan is outlined in Note 7.	**29,431**	-
	96,935	49,490
Amounts payable within one year	**(23,642)**	(9,118)
	$ 73,293	$ 40,372

Principal repayment terms are as follows:

2019	$ 23,642
2020	24,739
2021	25,888
2022	22,666
	$ 96,935

9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of donations received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

Changes in the deferred capital contributions are as follows:

	2018	2017
Balance, beginning of year	$ 382,209	$ 388,190
Investment revenue restricted for deferred contributions	2,165	1,986
Amounts received in the year	-	16,000
Amounts amortized to revenue	(22,339)	(23,967)
Balance, end of year	$ 362,035	$ 382,209

The above deferred capital contributions are comprised of the following:

Deferred Building Campaign Contributions

In fiscal 2006, the Society began to receive externally restricted funds to be used specifically towards new premises. Total funds received to date are held in term deposits in the amount of $191,339 (2017 - $189,353).

Changes in the deferred building campaign contributions and related investment income balance are as follows:

	2018	2017
Balance, beginning of year	$ 191,339	$ 189,353
Investment revenue restricted for building campaign purposes	2,165	1,986
Balance, end of year	$ 193,504	$ 191,339

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9. DEFERRED CAPITAL CONTRIBUTIONS *(continued)*

Deferred Education Room Contributions

In fiscal 2009, the Society received $39,000 from the Ontario Society for the Prevention of Cruelty to Animals of externally restricted funds to be used specifically for the renovation of the education room. Total contributed funds of $39,000 have been spent and capitalized to betterments as disclosed in Note 6.

Changes in the deferred education room contributions balance are as follows:

	2018	2017
Balance, beginning of year	**$ 25,222**	$ 26,550
Amortization of education room contributions	**(1,261)**	(1,328)
Balance, end of year	**$ 23,961**	$ 25,222

Deferred IT Project Contributions

Of the $150,002 in funding received to date, $150,002 has been spent. The Society applied $16,000 of the funding towards costs related to staff training in 2009, $4,985 towards expense for software in fiscal 2013 and to date has purchased assets worth $129,017 which are included in the amounts described in Note 6.

Changes in the deferred IT project contributions balance are as follows:

	2018	2017
Balance, beginning of year	**$ 9,501**	$ 12,606
Amortization of IT project contributions	**(2,203)**	(3,105)
Balance, end of year	**$ 7,298**	$ 9,501

Deferred Roof Contributions

In fiscal 2014, the Board approved with the donor's consent, the reallocation of a GIC with a value of $73,721 from the Building Campaign Contributions to fund the installation of a new roof. This reallocation is being amortized in relation to the addition which was completed in 2014 and is included in the amounts described in Note 6.

Changes in the deferred roof contributions balance are as follows:

	2018	2017
Balance, beginning of year	**$ 59,362**	$ 62,605
Amortization of roof contributions	**(3,080)**	(3,243)
Balance, end of year	**$ 56,282**	$ 59,362

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9. DEFERRED CAPITAL CONTRIBUTIONS *(continued)*

Deferred Vehicle Contributions

In fiscal 2012, the Society received a donation for a van valued at $17,699 which has been capitalized to property and equipment and is included in the cost of vehicles presented in Note 6. In fiscal 2015, the Society received additional contributions of $22,000 which are restricted for the purchase of vehicles. In 2016, the Society received additional contributions of $10,000 and used the $32,000 to pay for the down payments of two Nissan vans priced at $40,000 each.

Changes in the deferred vehicle contribution balance are as follows:

	2018	2017
Balance, beginning of year	**$ 18,362**	$ 29,625
Amortization of vehicle contribution	**(9,658)**	(11,263)
Balance, end of year	**$ 8,704**	$ 18,362

Deferred Dog Kitchen Contributions

In fiscal 2016, the Society received $58,700 from Save Our Shelter Productions LLC of externally restricted funds to be used specifically for the Dog Kitchen. Total contributed funds of $58,700 have been spent and capitalized as disclosed in Note 6.

	2018	2017
Balance, beginning of year	**$ 54,370**	$ 57,232
Amortization of dog kitchen contributions	**(2,719)**	(2,862)
Balance, end of year	**$ 51,651**	$ 54,370

Deferred ISO Lab and Wildlife Room Contributions

In fiscal 2016, the Society received a grant for $10,509 to be used specifically for the ISO Lab and Wildlife Room. Total contributed funds of $10,509 have been spent and capitalized as disclosed in Note 6.

	2018	2017
Balance, beginning of year	**$ 9,653**	$ 10,219
Amortization of ISO lab and wildlife room contributions	**(538)**	(566)
Balance, end of year	**$ 9,115**	$ 9,653

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9. DEFERRED CAPITAL CONTRIBUTIONS *(continued)*

Deferred Cat Colony Contributions

In fiscal 2017, the Society received a grant for $16,000 to be used specifically for the Cat Colony. Total contributed funds of $16,000 have been spent and capitalized as disclosed in Note 6.

	2018	2017
Balance, beginning of year	**$ 14,400**	$ -
Amounts received in the year	**-**	16,000
Amortization of Cat Colony contributions	**(2,880)**	(1,600)
Balance, end of year	**$ 11,520**	$ 14,400

10. LEASE COMMITMENTS

The Society has operating lease commitments for vehicles and a postage machine. Future minimum lease payments as at year end are as follows:

2019	$ 6,238
2020	6,238
2021	6,126
2022	1,856
	$ 20,458

11. FINANCIAL INSTRUMENTS

The Society is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Society's risk exposure and concentration as of December 31, 2018. There have been no significant changes to the Society's risk profile since December 31, 2017.

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Society is exposed to credit risk through accounts receivable. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. As at year end, accounts receivable are presented net of allowance for doubtful accounts of $500 (2017 - $500).

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11. FINANCIAL INSTRUMENTS *(continued)*

Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations as they fall due. All of the Society's investments held in term deposits are considered to be readily realizable and can be quickly liquidated at amounts close to their fair value to meet liquidity requirements. The Society is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long term debts and accounts payable.

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 risk: currency rate risk, interest rate risk and other price risk. The Society is mainly exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Society manages exposure through its normal operating and financing activities. The Society is exposed to interest rate risk primarily through its floating interest rate bank term deposits and credit facilities.

Financial assets by category

Financial assets recorded at amortized cost total to $2,632,268 (2017 - $2,105,669). The financial assets recorded at their fair market value total to $208,361 (2017 - $186,150).

Unless otherwise noted, it is management’s opinion that the Society is not exposed to significant other price risks arising from these financial instruments.