Nature CANADA

Financial Statements

For the year ended March 31, 2014

Collins Barrow
Chartered Accountants

an independent member of
BAKER TILLY
INTERNATIONAL

Nature Canada
Financial Statements
For the year ended March 31, 2014

Contents

Collins Barrow
Chartered Accountants

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Independent Auditor's Report

To the Members of Nature Canada

We have audited the accompanying financial statements of the Nature Canada, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, changes in net assets 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.

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

Independent Auditor's Report (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Nature Canada as at March 31, 2014, 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.

Other Matter

The financial statements of Nature Canada for the year ended March 31, 2013 (prior to the reclassification of prior year amounts and financial disclosures as described in Note 17 to the financial statements) were audited by another auditor who expressed an unmodified opinion on those financial statements on August 22, 2013.

Collins Barrow Ottawa LLP

Chartered Accountants, Licensed Public Accountants
September 19, 2014
Ottawa, Ontario

Nature Canada
Statement of Financial Position

March 31		2014		2013
Assets				
Current				
Cash and cash equivalents (Note 1)	$	**156,807**	$	236,800
Accounts receivable (Note 2)		**87,714**		78,184
Prepaid expenses		**9,873**		56,084
Current portion of investments (Note 3)		**616,110**		559,491
		870,504		930,559
Long-term portion of investments (Note 3)		**207,336**		214,992
Investment - life insurance (Note 4)		**6,407**		12,938
Tangible capital assets (Note 5)		**30,839**		35,702
	$	**1,115,086**	$	1,194,191

Liabilities and Net Assets				
Current				
Accounts payable and accrued liabilities (Note 6)	$	**133,776**	$	186,006
Demand loan (Note 7)		**90,000**		-
Other loan payable (Note 8)		**20,000**		20,000
Deferred revenue (Note 9)		**67,050**		253,900
		310,826		459,906
Deferred revenue - life insurance (Note 4)		**6,407**		12,938
		317,233		472,844
Net assets				
Endowment (Note 10 a.)		**125,300**		120,300
Externally restricted (Note 10 b.)		**2,410**		2,410
Internally restricted (Note 10 c.)		**521,943**		517,680
Invested in tangible capital assets (Note 10 d.)		**30,839**		35,702
Unrestricted (Note 10 e.)		**117,361**		45,255
		797,853		721,347
	$	**1,115,086**	$	1,194,191

On behalf of the Board:

Richard Yank

Richard Yank

Director

Ken Thorpe

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Nature Canada
Statement of Changes in Net Assets

For the year ended March 31, 2014

	Endowment	Externally Restricted	Internally Restricted	Invested in Tangible Capital Assets	Unrestricted	Total
Balance, beginning of year	$ 120,300	$ 2,410	$ 517,680	$ 35,702	$ 45,255	$ 721,347
Excess (deficiency) of revenue over expenses for the year	-	-	-	(22,697)	94,203	71,506
Additions to tangible capital assets	-	-	-	18,294	(18,294)	-
Proceeds on disposal of tangible capital assets	-	-	-	(460)	460	-
Contributions for endowment	5,000	-	-	-	-	5,000
Transfers (Note 10 c.)	-	-	4,263	-	(4,263)	-
Balance, end of year	$ 125,300	$ 2,410	$ 521,943	$ 30,839	$ 117,361	$ 797,853

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Statement of Changes in Net Assets (continued)

For the year ended March 31, 2013

	Endowment	Externally Restricted	Internally Restricted	Invested in Tangible Capital Assets	Unrestricted	Total
Balance, beginning of year	$ 115,000	$ 2,410	$ 513,244	$ 45,713	$ -	$ 676,367
Excess (deficiency) of revenue over expenses for the year	-	-	-	(17,455)	57,135	39,680
Additions to tangible capital assets	-	-	-	7,444	(7,444)	-
Contributions for endowment	5,300	-	-	-	-	5,300
Transfers (Note 10 c.)	-	-	4,436	-	(4,436)	-
Balance, end of year	$ 120,300	$ 2,410	$ 517,680	$ 35,702	$ 45,255	$ 721,347

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Nature Canada
Statement of Operations

For the year ended March 31	2014	2013
Revenue		
Donations, bequests and memberships	**$ 916,462**	$ 1,366,923
Corporation, government and foundation funding	**708,384**	648,028
Other	**17,380**	6,192
Investment	**19,585**	21,506
BirdLife International conference	**862,490**	65,000
	2,524,301	2,107,649
Expenses (Note 11)		
Conservation programs	**883,031**	1,153,189
Conservation education and communications	**349,327**	366,333
Fund development	**272,445**	422,851
Finance and administration	**98,968**	76,574
BirdLife International conference	**849,024**	49,022
	2,452,795	2,067,969
Excess of revenue over expenses for the year	**$ 71,506**	$ 39,680

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Nature Canada
Statement of Cash Flows

For the year ended March 31	2014	2013
Cash flows from (used in) operating activities		
Excess of revenue over expenses for the year	**$ 71,506**	$ 39,680
Adjustments for		
Amortization of tangible capital assets	**22,697**	17,455
Net change in balance of unrealized (gain) loss on investments	**(64,672)**	(42,418)
Changes in non-cash working capital balances		
Accounts receivable	**(9,530)**	143,952
Prepaid expenses	**46,211**	(29,545)
Accounts payable and accrued liabilities	**(52,230)**	(3,574)
Deferred revenue	**(186,850)**	45,807
	(172,868)	171,357
Cash flows from (used in) financing activities		
Increase (decrease) in demand loan - net	**90,000**	(140,000)
Contributions for endowment	**5,000**	5,300
	95,000	(134,700)
Cash flows from (used in) investing activities		
Decrease in investments - net	**15,709**	12,791
Additions to tangible capital assets	**(18,294)**	(7,444)
Proceeds of disposal of tangible capital assets	**460**	-
	(2,125)	5,347
Increase (decrease) in cash and cash equivalents during the year	**(79,993)**	42,004
Cash and cash equivalents, beginning of year (Note 1)	**236,800**	194,796
Cash and cash equivalents, end of year (Note 1)	**$ 156,807**	$ 236,800

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Nature of Organization

Nature Canada (the "organization") is a member-based not-for-profit nature conservation organization dedicated to protecting nature, its diversity, and the processes that sustain it. With strategies based on sound science and passion for nature, the organization effects change in issues of national significance, including bird conservation, wilderness protection, species at risk and national parks. Through public outreach and education, Nature Canada is building a nature ethic among Canadians.

The organization's full legal name is Nature Canada / Canada Nature and was incorporated under the Canada Corporations Act until October 30, 2013. Effective October 30, 2013 the organization received its Certificate of Continuance under the Canada Not-for-profit Corporations Act.

Under its Certificate of Continuance, the organization's statement of purpose is:

- Conserving and protecting birds and other wildlife and, where practical, restoring their habitats;
- Identifying, monitoring and conserving a network of protected sites for wildlife in Canada;
- Carrying out educational programs which foster an appreciation and understanding of nature;
- Carrying out environmental research and disseminating the results of research to the public;
- Raising public awareness about the importance of nature conservation and wildlife protection; and
- Encouraging environmental stewardship of species and habitats.

In addition, in the event of dissolution or wind-up of the organization, and following the satisfaction of all of its debts and obligations, notwithstanding any statutory or other provisions to the contrary, the organization's remaining assets shall be disposed of to such charitable organizations in such manner as, in the opinion of the organization's Board of Directors, will assist in continuing the purposes of the organization.

The organization is a registered charitable organization, may issue charitable donation receipts to donors and as such is not subject to income taxes under the Income Tax Act (Canada) on its charitable and related business activities.

Basis of Presentation

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations which are part of Canadian generally accepted accounting principles and include the following significant accounting polices.

Use of Estimates

The preparation of financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates and assumptions as additional information becomes available in the future. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the fiscal period in which they become known.

Significant estimates include assumptions used in estimating the fair value of financial instruments; in estimating the amount and collectibility of accounts receivable; in establishing the useful lives and related amortization of tangible capital assets; in estimating provisions for accrued liabilities; in estimating the amount of funding earned and deferred; and in estimating expense allocations.

Financial Instruments

Financial instruments are recorded at fair value on initial recognition. 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. The organization has elected to carry its investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized to operations using the straight-line method.

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

Cash and Cash Equivalents

The organization considers cash and cash equivalents to be cash balances and highly liquid investments with original maturities of three months or less.

Capital Assets

Tangible capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of a tangible asset are capitalized. When a tangible capital asset no longer contributes to the organization's ability to provide services, its carrying amount is written down to its residual value.

Tangible capital assets are amortized over their estimated useful lives on a straight-line basis using the following rates:

Computer equipment	5 years
Office equipment	5 years
Leasehold improvements	Term of lease

Works of art are recorded at cost and are not amortized.

Intangible capital assets being computer software and website costs are charged to the statement of operations as an expense in the year of acquisition.

Net Assets

The unrestricted net assets of the organization relate to its program delivery and administrative activities.

Net assets invested in tangible capital assets are internally restricted by the organization and represent the organization's investment in tangible capital assets represented by its net book value.

Other internally restricted net assets and externally restricted net assets represent balances available for the activities of the organization for which the funding is restricted to that activity and are described in Note 10 b. and Note 10 c.

Contributions restricted for endowment consist of funds received which the donor has designated as an endowment. The annual income earned from funds designated as endowment by the donor may be expended only for the purpose designated. If no purpose is designated by the donor then the income is expended at the direction of the organization's Board of Directors. Actual investment income earned in excess of the distributed amount is deferred and is available for future distribution.

Revenue Recognition

The organization uses the deferral method of accounting for contributions. Unrestricted revenue is 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 donations and bequests, conservation project contributions, and restricted investment income are recognized as revenue in the fiscal period in which the related expenses are incurred.

Revenue Recognition (continued)	Endowment contributions and restricted investment revenue earned for re-endowment, if any, are recognized as direct increases in net assets in the period in which they are received or earned. Investment income earned for distribution is deferred and is recognized as revenue in the fiscal period in which the required expenses are incurred. Unrestricted investment revenue is recognized in operations as it is earned with the passage of time or as fair value changes occur for those investments carried at fair value. Other revenue, including conference revenue, is recognized in operations as the services are rendered and/or the event takes place, as appropriate. Because of the uncertainty of the collectibility of pledges, the organization recognizes pledges as donation revenue in the year received.
Expense Allocations	Finance and administration overhead costs are allocated to functions based on the proportion of staff directly employed in each of the functions. Finance and administration salaries and benefits are allocated based on the approximate time spent on the respective functions. Fund development costs include printing, distribution of information packages and the employment of consultants such as telemarketers and door to door canvassers, who are used to contact supporters to solicit funds, educate and increase public awareness. Fund development costs plus the allocation of finance and administration overhead costs based on the number of staff directly employed in each of the functions is allocated at a rate of 50% to conservation programs.
Foreign Currency	Transactions during the year in a foreign currency have been converted in the accounts to Canadian dollars at the exchange rate effective on the transaction date. All monetary assets in a foreign currency have been converted to Canadian dollars at the exchange rates in effect at the year end. Gains or losses resulting therefrom are included in the determination of the excess (deficiency) of revenue over expenses for the year.
Contributed Materials and Services	Contributed materials and services, which are used in the normal course of the organization's operations and would otherwise have been purchased, are recorded at their fair value at the date of contribution when the fair value can be reasonably estimated. Otherwise, contributed materials and services are not recorded in the financial statements.

1. Cash and Cash Equivalents

The organization's cash is held in a Canadian chartered bank and the bank accounts are non-interest bearing.

The money market fund is held in a Canadian chartered bank earning a variable interest rate with an effective interest rate as at March 31, 2014 of 1.36% (2013 - 1.60%).

	2014	2013
Cash	$ 16,022	$ 136,308
Money market fund	140,785	100,492
Total cash and cash equivalents	156,807	236,800
Restricted cash (internal, external and endowment)	(141,687)	(101,394)
Unrestricted cash	$ 15,120	$ 135,406

The remaining balance of the restricted funds held are included as part of the restricted investments as set out in Note 3 to these financial statements.

2. Accounts Receivable

Accounts receivable consist of:

	2014	2013
Corporation, government and foundation funding	$ 80,275	$ 58,380
Government remittances	7,439	19,804
	$ 87,714	$ 78,184

3. Investments

Investments are carried at fair value in the financial statements. Investments of $85,936 (2013 - $101,015) relate to the endowment net assets and are restricted. Also, investments of $422,030 (2013 - $437,981) are externally restricted or have been internally restricted. The remaining balance of the restricted funds are included as part of restricted cash as set out in Note 1 to these financial statements.

	2014		2013	
	Fair Value	**Cost**	Fair Value	Cost
Fixed income	**$ 258,933**	**$ 254,695**	$ 303,518	$ 298,759
Canadian equities	**356,604**	**201,066**	300,634	173,854
International mutual funds	**51,390**	**34,935**	44,800	34,935
U.S. mutual funds	**85,403**	**53,466**	65,813	53,466
Canadian mutual funds	**71,116**	**57,039**	59,718	55,896
	823,446	**601,201**	774,483	616,910
Current portion	**616,110**	**397,467**	559,491	395,034
Long-term portion	**$ 207,336**	**$ 203,734**	$ 214,992	$ 221,876

Fixed income securities have stated interest rates from 2.42% to 4.71% (2013 - 2.901% to 5.16%) with maturities from December 22, 2014 to May 31, 2018 (2013 - June 6, 2013 to January 13, 2017).

4. Investment and Deferred Revenue - Life Insurance

The organization has been designated as the irrevocable beneficiary of life insurance policies which have cash surrender values. As at March 31, 2014, the amount of insurance in force for these policies for which the organization has been designated as the beneficiary totals $30,000 (2013 - $30,000).

The cash surrender values of these policies as at March 31, 2014 total $6,407 (2013 - $12,938).

The organization's accounting policy is to not recognize the cash surrender values and changes related thereto as revenue on the basis that at the present time there is no intention to access these funds prior to the receipt of the full insurance proceeds of the respective policies.

5. Tangible Capital Assets

	2014			2013		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Computer equipment	**$ 62,251**	**$ 38,477**	**$ 23,774**	$ 283,977	$ 266,696	$ 17,281
Office equipment	**72,074**	**71,180**	**894**	72,074	66,609	5,465
Leasehold improvements	**27,140**	**26,009**	**1,131**	27,140	19,224	7,916
Works of art	**5,040**	**-**	**5,040**	5,040	-	5,040
	$ 166,505	**$ 135,666**	**$ 30,839**	$ 388,231	$ 352,529	$ 35,702

Fully amortized computer equipment totaling $237,720 was written off during the 2014 fiscal year (2013 - $nil) due to the obsolescence of these tangible capital assets.

6. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following:

	2014	2013
Trade and operating	**$ 133,618**	$ 181,955
Government remittances	**158**	4,051
	$ 133,776	$ 186,006

7. Credit Facility

As at March 31, 2014, the organization had an outstanding balance of $90,000 (2013 - $nil) on its credit facility. The facility is available at an interest rate of prime plus 1.5%, is secured by a general security agreement covering all of the personal properly of the organization and amounts outstanding are due on demand. The maximum credit available is $250,000.

8. Other Loan

The other loan consists of a $20,000 (2013 - $20,000) line of credit utilized from another not-for-profit organization to finance the expenses of a specific project. The loan is interest-free and as at March 31, 2014 is due on demand. The loan was for an initial one year period ending March 31, 2013.

9. Deferred Revenue

Deferred revenue includes restricted donations and contributions received but unused. Deferred revenue is restricted for future use in the following program areas:

	2014	2013
Important bird areas	**$ 44,550**	$ 150,000
International - Caribbean	**-**	58,287
Other	**22,500**	35,613
Youth engagement	**-**	10,000
	$ 67,050	$ 253,900

10. Net Assets

a. *Endowment*

In 2009, the organization received an endowment contribution of $100,000. In the 2014 fiscal year, contributions to the endowment fund were $5,000 (2013 - $5,300) resulting in a cumulative balance as at March 31, 2014 of $125,300 (2013 - $120,300). Interest earned on the endowment contributions is restricted for the purposes of:

- supporting bird conservation projects in Alberta;
- providing an entrance scholarship to attend post secondary studies in natural sciences; and
- providing an award to a volunteer with the organization for bird conservation and stewardship efforts.

Investment income earned and recognized as revenue during the year on the endowment contributions total $920 (2013 - $2,808).

10. **Net Assets** (continued)

b. *Externally restricted*

In prior years the organization was the recipient of a bequest of $302,410 that was restricted for the purpose of the acquisition of land for a nature reserve or wildlife sanctuary. Investment income, net of trust expenses and investment fees, is available to the organization for operational purposes. In certain prior years disbursements were made to a third party related to the purchase of a nature reserve. The remaining balance of $2,410 (2013 - $2,410) is being held for final distribution.

c. *Internally restricted*

A contingency fund has been designated by the organization's Board of Directors and is to be used in accordance with the Board's on-going direction. On an annual basis, 15% of the investment income earned on the unrestricted investments is transferred from unrestricted net assets to internally restricted net assets. For the 2014 fiscal year $4,263 (2013 - $4,436) of investment income was transferred to the contingency fund from unrestricted net assets.

d. *Invested in tangible capital assets*

Invested in tangible capital assets is an internally restricted amount that represents the organization's investment in tangible capital assets and equals the net book value of these assets.

e. *Unrestricted*

Unrestricted net assets are available for general operations and future projects.

11. Allocated Expenses

Total finance and administration overhead costs consist of the following:

	2014	2013
Salaries and benefits	**$ 173,621**	$ 130,491
Administrative	**295,214**	296,310
Professional fees	**43,718**	44,661
Net change in balance of unrealized (gain) loss on investments	**(64,672)**	(42,418)
Total finance and administration overhead costs	**$ 447,881**	$ 429,044

Total finance and administration overhead costs have been allocated as follows:

	2014	2013
Total finance and administration overhead costs	**$ 447,881**	$ 429,044
Less: Allocation to BirdLife International Conference	**(49,099)**	-
Less: Allocation to conservation programs	**(123,645)**	(168,821)
Less: Allocation to conservation education and communications	**(81,542)**	(99,496)
Less: Allocation to fund development	**(94,627)**	(84,153)
Finance and administration expenses presented in the statement of operations	**$ 98,968**	$ 76,574

Total fund development costs consist of the following:

	2014	2013
Salaries and benefits	**$ 214,283**	$ 244,574
Administrative	**135,450**	228,234
Professional fees	**6,001**	3,476
Communications	**94,529**	285,265
	$ 450,263	$ 761,549

11. **Allocated Expenses** (continued)

Total fund development costs have been allocated as follows:

	2014	2013
Total fund development costs	**$ 450,263**	$ 761,549
Add: Allocation from finance and administration overhead costs	**94,627**	84,153
Less: Allocation to conservation programs	**(272,445)**	(422,851)
Fund development expenses presented in the statement of operations	**$ 272,445**	$ 422,851

12. **Pension Plan**

In 2012, the organization introduced a defined contribution pension plan which covers all its employees. During the 2014 fiscal year, the organization made employer contributions totaling $22,507 (2013 - $21,598).

13. **Related Parties**

The organization is related to the Nature Canada Foundation through a common Board of Directors. The organization provides the Nature Canada Foundation with administration services at no charge.

14. **Commitments**

The organization is committed under operating leases for office space, equipment and professional services. Future minimum annual rental payments for the next five fiscal years, thereafter and in aggregate are as follows:

2015	$ 71,547
2016	65,015
2017	44,499
2018	45,559
2019	46,074
2020 and thereafter	7,117
	$ 279,811

14. **Commitments** (continued)

The agreement for office space also requires the organization to pay additional rent, being the organization's share of the building operating costs, which for the 2015 fiscal year is estimated to be $57,000.

These payments exclude the non-refundable portion of HST which as at March 31, 2014 is 3.94%.

In connection with its operations, the organization regularly enters into agreements for the purchase of various supplies and services including the rental of facilities on a short-term basis. Certain of these agreements extend beyond the end of the 2014 fiscal year. In the opinion of management, these agreements are in the normal course of the organization's operations, are not abnormal in amount or nature and do not include a high degree of speculative risk.

15. **Contingencies**

Corporation, government and foundation funding of the organization are subject to conditions regarding the expenditures of the funds. The organization's accounting records may be subject to audit by the funding agencies to identify instances, if any, in which the amounts charged to the projects were not in compliance with the agreed terms and conditions, and which, therefore, would be refundable to the funding agency. Adjustments to the financial statements as a result of these audits would be recorded in the fiscal year in which they become known.

16. **Financial Instruments Risks and Concentrations**

The organization is exposed to various risks through its financial instruments. The following provides a measure of its risk exposure and concentrations as at March 31, 2014.

The organization is not involved in any hedging relationships and does not hold or use any derivative financial instruments for trading purposes.

Liquidity risk

Liquidity risk is the risk of being unable to generate sufficient cash and cash equivalents in a timely and cost effective manner to meet the organization's spending requirements and obligations related to its deferred revenue as well as meeting its financial liabilities in respect to its accounts payable and accrued liabilities, and its contractual commitments. The organization manages its liquidity risk by monitoring its operating requirements. The organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfil its obligations.

16. **Financial Instruments Risks and Concentrations** (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risks relate to its accounts receivable. The organization assesses, on a continuous basis, its accounts receivable and provides for any amounts that are not expected to be collected in the allowance for doubtful accounts. At year-end, there were no accounts receivable amounts allowed for. Although not considered a significant credit risk, credit risk also exists in relation to the organization's cash and cash equivalents, and its investments.

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 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 organization is not exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates as it does not hold cash or investment vehicles denominated in foreign currencies. However, the organization does hold foreign investments as set out in Note 3 to these financial statements so there is an indirect 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 organization is exposed to interest rate risk on its fixed and variable interest rate financial instruments. The organization holds floating-rate financial instruments being its cash and cash equivalents and its utilized credit facility, as set out in Notes 1 and 7, respectively to these financial statements, which would subject the organization to a cash flow risk.

The fixed income investments held by the organization, as set out in Note 3 to these financial statements, bear interest at fixed rates so the organization is exposed to the risk resulting from interest rate fluctuations which is a fair value risk.

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 currency risk or interest rate risk), whether those changes are caused by factors specific to an individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The maximum loss due to price risk is represented by the fair value of equity and mutual fund investments as set out in Note 3 to these financial statements.

16. **Financial Instruments Risks and Concentrations** (continued)

Changes in risks

There have been no significant changes in the organization's risk exposures from its 2013 fiscal year.

17. **Corresponding Amounts and Information**

In certain instances, 2013 fiscal year corresponding amounts and financial disclosures have been reclassified to conform to the financial statement presentation and financial disclosures adopted for the 2014 fiscal year.

In addition, the bank loan and other loan, as set out in Notes 7 and 8 to these financial statements, have been reclassified from operating activities to financing activities in the Statement of Cash Flows.