Financial Statements of

# CHRISTIAN HORIZONS

And Independent Auditors’ Report thereon

Year ended March 31, 2020

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# INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Christian Horizons

### *Opinion*

We have audited the financial statements of Christian Horizons (the "Organization"), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2020, 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.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial*** **Statements"** section of our auditors' report.

We are independent of the Organization 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 these requirements.

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

### *Responsibilities of Management and Those Charged With Governance 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

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

***Auditors' 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 auditors' 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 the 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 Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Organization's 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada
August 10, 2020

# CHRISTIAN HORIZONS

Statement of Financial Position

March 31, 2020, with comparative information for 2019

| | Government Operating | Government Capital | Restricted | 2020 Total | 2019 Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current assets: | | | | | |
| Cash | $ 7,684,144 | $ – | $ 91,525 | $ 7,775,669 | $ 7,692,643 |
| Investments | 4,160,997 | – | 683,439 | 4,844,436 | 5,310,171 |
| Subsidies receivable | – | – | – | – | 741,821 |
| Loan receivable (note 2) | – | – | – | – | 850,857 |
| Accounts receivable | 3,453,436 | 14,287 | – | 3,467,723 | 2,950,583 |
| Prepaid expenses and deposits | 88,697 | – | – | 88,697 | 229,387 |
| | 15,387,274 | 14,287 | 774,964 | 16,176,525 | 17,775,462 |
| Capital assets (notes 3 and 4) | – | 32,141,541 | – | 32,141,541 | 33,726,778 |
| | $ 15,387,274 | $ 32,155,828 | $ 774,964 | $ 48,318,066 | $ 51,502,240 |
| **Liabilities and Fund Balances** | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued liabilities (note 5) | $ 12,449,703 | $ – | $ – | $ 12,449,703 | $ 12,907,806 |
| Subsidies payable | 633,628 | – | – | 633,628 | 1,266,071 |
| Interfund payable (receivable) | 1,356,397 | (716,406) | (639,991) | – | – |
| Deferred revenue | 175,366 | 20,000 | – | 195,366 | 217,051 |
| Current portion of long-term debt (note 6) | – | 550,012 | – | 550,012 | 1,077,205 |
| | 14,615,094 | (146,394) | (639,991) | 13,828,709 | 15,468,133 |
| Long-term debt (note 6) | – | 2,640,649 | – | 2,640,649 | 2,319,276 |
| | 14,615,094 | 2,494,255 | (639,991) | 16,469,358 | 17,787,409 |
| Fund balances | 772,180 | 29,661,573 | 1,414,955 | 31,848,708 | 33,714,831 |
| Commitments (note 8) | | | | | |
| Subsequent event (note 12) | | | | | |
| | $ 15,387,274 | $ 32,155,828 | $ 774,964 | $ 48,318,066 | $ 51,502,240 |

See accompanying notes to financial statements.

Approved on Behalf of the Board

_______________ Director

_______________ Director

# CHRISTIAN HORIZONS

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2020, with comparative information for 2019

| | Government Operating | Government Capital | Restricted | 2020 Total | 2019 Total |
|---|---|---|---|---|---|
| Revenue: | | | | | |
| Provincial subsidy | $ 164,209,194 | $ – | $ 56,508 | $164,265,702 | $ 162,948,189 |
| Residents | 12,186,238 | – | – | 12,186,238 | 11,930,205 |
| Third party funding | 7,099,647 | 10,000 | – | 7,109,647 | 5,781,101 |
| Miscellaneous revenue | 269,996 | 455,379 | – | 725,375 | 420,488 |
| Interest income | 383,131 | 173,297 | 23,117 | 579,545 | 531,260 |
| Transfers | (912,088) | 869,114 | 42,974 | – | – |
| Gain (loss) on disposal of capital assets (note 4) | – | (45,344) | – | (45,344) | 239,997 |
| | 183,236,118 | 1,462,446 | 122,599 | 184,821,163 | 181,851,240 |
| Expenses: | | | | | |
| Salaries | 124,251,505 | – | 15,446 | 124,266,951 | 118,289,196 |
| Benefits | 23,041,041 | – | – | 23,041,041 | 22,697,244 |
| Travel | 1,205,499 | – | – | 1,205,499 | 1,368,686 |
| Training | 373,536 | – | – | 373,536 | 389,870 |
| Purchased services | 7,303,886 | – | – | 7,303,886 | 7,237,416 |
| Management fee | 1,194,114 | – | – | 1,194,114 | 1,274,975 |
| Supplies and miscellaneous | 1,784,030 | – | 8,000 | 1,792,030 | 1,815,890 |
| Food | 3,132,000 | – | – | 3,132,000 | 3,186,775 |
| Rent - premises | 5,453,876 | – | – | 5,453,876 | 5,170,449 |
| Rent - other | 848,696 | – | – | 848,696 | 1,030,466 |
| Utilities and taxes | 2,975,289 | – | – | 2,975,289 | 2,857,631 |
| Insurance | 1,325,115 | – | – | 1,325,115 | 1,235,819 |
| Repairs and maintenance | 4,424,738 | – | 29,648 | 4,454,386 | 7,215,248 |
| Furniture and equipment | 1,949,975 | – | 15,721 | 1,965,696 | 1,909,839 |
| Amortization | – | 2,647,295 | – | 2,647,295 | 2,900,323 |
| Vehicles | 1,738,642 | – | – | 1,738,642 | 1,610,108 |
| Personal needs | 2,234,176 | – | – | 2,234,176 | 1,704,174 |
| Interest on long-term debt | – | 121,809 | – | 121,809 | 118,526 |
| Recovery from Christian Horizons (Canada) | – | – | – | – | (267,990) |
| | 183,236,118 | 2,769,104 | 68,815 | 186,074,037 | 181,744,645 |
| Excess (deficiency) of revenue over expenses before the undernoted | – | (1,306,658) | 53,784 | (1,252,874) | 106,595 |
| Change in fair value of investments | (613,249) | – | – | (613,249) | 35,054 |
| Excess (deficiency) of revenue over expenses | (613,249) | (1,306,658) | 53,784 | (1,866,123) | 141,649 |
| Fund balances, beginning of year | 1,385,429 | 30,968,231 | 1,361,171 | 33,714,831 | 33,573,182 |
| Fund balances, end of year | $ 772,180 | $ 29,661,573 | $ 1,414,955 | $ 31,848,708 | $ 33,714,831 |

See accompanying notes to financial statements.

# CHRISTIAN HORIZONS

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

| | 2020 | 2019 |
|---|---|---|
| Cash provided by (used in): | | |
| Operations: | | |
| Excess (deficiency) of revenue over expenses | $ (1,866,123) | $ 141,649 |
| Items not involving cash: | | |
| Change in fair value of investments | 613,249 | (35,054) |
| Amortization of capital assets | 2,647,295 | 2,900,323 |
| Loss (gain) on disposal of capital assets | 45,344 | (239,997) |
| Change in non-cash operating working capital (note 9) | (746,860) | 2,874,784 |
| | 692,905 | 5,641,705 |
| Financing: | | |
| Repayment of long-term debt | (205,820) | (891,484) |
| Advances of long-term debt | – | 482,344 |
| | (205,820) | (409,140) |
| Investments: | | |
| Purchase of capital assets | (1,107,402) | (2,858,832) |
| Proceeds on disposal of capital assets | – | 263,570 |
| Purchase of investments | (1,316,674) | (595,715) |
| Proceeds on disposal of investments | 1,169,160 | 463,609 |
| Repayment (advance) of loan receivable | 850,857 | (850,857) |
| | (404,059) | (3,578,225) |
| Increase in cash | 83,026 | 1,654,340 |
| Cash, beginning of year | 7,692,643 | 6,038,303 |
| Cash, end of year | $ 7,775,669 | $ 7,692,643 |

See accompanying notes to financial statements.

Christian Horizons (the “Organization”) is a non-profit faith-based charitable organization founded in 1965. The Organization works with people who experience disabilities through residential and ancillary programs which are funded primarily through contracts with provincial governments. The Organization is incorporated under the Ontario Corporations Act as a non-profit organization without share capital. The Organization is a registered charity within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

**1. Significant accounting policies:**

These financial statements are prepared in accordance with the Chartered Professional Accountants of Canada Handbook Part III - Canadian accounting standards for not-for-profit organizations. The Organization’s significant accounting policies are as follows:

(a) Fund accounting:

The Organization follows the restricted fund method of accounting for contributions using the following funds:

The government operating fund represents funds received under contractual arrangements with the Province of Ontario and the Province of Saskatchewan for the purpose of supporting people who experience disabilities.

The government capital fund reflects the assets, liabilities, revenue and expenses related to the capital assets acquired under capital contracts or other receipts from the Province of Ontario and the Province of Saskatchewan.

The restricted fund represents the assets, liabilities, revenue and expenses related to both internally and externally restricted activities.

(b) Revenue recognition:

Provincial subsidy is recognized as revenue of the appropriate fund as costs are incurred. Any surplus is recorded as subsidy payable on the statement of financial position, or as an excess of revenue over expenses and transferred to the restricted fund.

All other restricted contributions are recognized as revenue of the appropriate restricted fund.

(c) Capital assets:

Capital assets are recorded at cost. Minor capital items funded by operating revenue are expensed as incurred. Amortization is provided in the accounts using the following method and annual rates:

| Asset | Basis | Rate |
|---|---|---|
| Buildings | Straight-line | 5% |
| Vehicles, furniture and equipment | Straight-line | 20% |
| Leasehold improvements | Straight-line | 10% |

**1. Significant accounting policies (continued):**

(d) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(e) Measurement uncertainty:

The preparation of 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 dates of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, accounts payable and accrued liabilities and valuation allowances for receivables. Actual results could differ from those estimates.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost. Equity instruments that are quoted in an active market are subsequently measured 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 using the straight-line method.

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 Organization 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 Organization 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.

1. **Significant accounting policies (continued):**

(g) New accounting standards:

In March 2018, the Accounting Standards Board issued "Basis for Conclusions- Accounting Standards Improvements for Not-for-Profit Organizations" resulting in the introduction of three new handbook sections in Accounting Standards for Not-for-Profit Organizations - Part III of the Chartered Professional Accountants of Canada Handbook ("Handbook") as follows:

(i) *Section 4433, Tangible capital assets held by not-for-profit organizations*, which directs organizations to apply the accounting guidance of *Section 3061, Property Plant and Equipment* in Accounting Standards for Private Enterprises - Part II of the Handbook. In so doing, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components.

(ii) *Section 4434, Intangible assets held by not-for-profit organizations*, which directs organizations to annually assess intangible assets, and, where applicable, to record an impairment expense should the net carrying value be higher than the fair value or replacement cost of the asset.

(iii) *Section 4441, Collections held by not-for-profit organizations*, which defines a collection and directs organizations to record such assets on the statement of financial position at either cost or nominal value. It is anticipated that all collections will be accounted for using the same method, with the exception of organizations that opt to account for collections at cost, whereby the cost for certain collections either held or contributed cannot be determined. Such items are to be accounted for at a nominal value. In addition, collections are written down when there is evidence that the net carrying amount exceeds fair value.

The amendments are effective for the Organization's financial statements for the year ended March 31, 2020.

The implementation of these changes had no impact on the financial statements.

## 2. Loan receivable:

On August 29, 2018 a loan was provided to Christian Horizons Foundation. The loan was available for up to $2,000,000 of which $850,857 was drawn in 2019. The loan receivable was due on demand, bore interest at 3.75%, with interest only payments and matured the earlier of the sale of the Toronto property held by Christian Horizons Foundation or August 29, 2020. The loan receivable was secured with a second ranking security on property held by Christian Horizons Foundation in Toronto and a third ranking security on property held by Christian Horizons Foundation in Waterloo.

During the year, the Toronto property held by Christian Horizons Foundation was sold and the loan receivable was fully repaid on April 26, 2019.

## 3. Capital assets:

| | Cost | Accumulated amortization | 2020 Net book value | 2019 Net book value |
|---|---|---|---|---|
| Land | $ 14,261,531 | $ – | $ 14,261,531 | $ 14,141,531 |
| Buildings | 47,856,642 | 33,193,117 | 14,663,525 | 16,043,223 |
| Vehicles, furniture and equipment | 5,764,845 | 4,383,945 | 1,380,900 | 2,003,046 |
| Leasehold improvements | 2,971,405 | 1,135,820 | 1,835,585 | 1,538,978 |
| | $ 70,854,423 | $ 38,712,882 | $ 32,141,541 | $ 33,726,778 |

## 4. Asset restrictions:

By virtue of the agreements under which provincial funding is received, the Organization cannot alter or dispose of property acquired entirely or partially with provincial funds without approval from the appropriate Provincial Ministry. On the disposal of property, a portion of the provincial funding used to acquire the property may be repayable.

## 5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $1,596,663 (2019 - $1,476,819) which consists primarily of amounts payable for municipal taxes, sales tax and payroll related taxes.

## 6. Long-term debt:

| | | 2020 | | 2019 |
|---|---|---|---|---|
| Secured by restricted assets (note 4) | | | | |
| Funded by Provincial Ministries: | | | | |
| Banking facility: | | | | |
| 3.95% term loan secured by land and buildings, repayable in monthly payments of $4,415, including principal and interest, due on March 31, 2021 | $ | 346,427 | $ | 384,895 |
| 3.6% term loan secured by land and buildings, repayable in monthly payments of $5,136, including principal and interest, due on December 31, 2019 | | – | | 667,605 |
| 4.07% term loan secured by land and buildings, repayable in monthly payments of $5,284, including principal and interest, due on December 31, 2021 | | 629,693 | | – |
| 3.95% term loan, secured by land and buildings, repayable in monthly payments of $10,216, including principal and interest, due on May 15, 2021 | | 1,853,001 | | 1,900,949 |
| 3.75% mortgage on land and building, repayable in monthly payments of $1,417, including principal and interest, due on July 1, 2023 | | 51,978 | | – |
| Other lenders: | | | | |
| 1.915% mortgage on land and building, repayable in monthly payments of $1,695, including principal and interest, due on July 1, 2022 | | 82,948 | | 101,508 |
| 1.110%, mortgage on land and building, repayable in monthly payments of $811, including principal and interest, due on April 1, 2021 | | 42,723 | | 51,930 |
| 2.18% mortgage on land and building, repayable in monthly payments of $2,762, including principal and interest, due on September 1, 2019 | | – | | 171,645 |
| 2.22% mortgage on land and building, repayable in monthly payments of $2,764, including principal and interest, due on September 1, 2024 | | 141,950 | | – |
| 2.35% mortgage on land and building, repayable in monthly payments of $1,378, including principal and interest, due on July 1, 2019 | | – | | 68,080 |
| 1.83%, mortgage on land and building, repayable in monthly payments of $732, including principal and interest, due on March 1, 2025 | | 41,941 | | 49,869 |
| | | 3,190,661 | | 3,396,481 |
| Less current portion of long-term debt | | (550,012) | | (1,077,205) |
| | $ | 2,640,649 | $ | 2,319,276 |

### 6. Long-term debt (continued):

The aggregate amount of principal payments required on the long-term debt in each of the next five years are as follows:

| | | |
|---|---|---|
| 2021 | $ | 550,012 |
| 2022 | | 2,468,912 |
| 2023 | | 101,349 |
| 2024 | | 61,695 |
| 2025 | | 8,693 |
| | $ | 3,190,661 |

### 7. Credit facility:

The Organization has available an aggregate borrowing facility of $10,000,000 which includes a $4,000,000 operating demand facility, a $250,000 revolving demand facility for letters of guarantee and $250,000 revolving lease line of credit. This facility is secured by a general security agreement, and a first charge over real property and bears interest at bank prime plus up to 1.00%. Fees for letters of guarantee are provided on a transaction by transaction basis.

As at March 31, 2020, $nil (2019 - $nil) is drawn against the operating demand facility. As at March 31, 2020, issued letters of guarantee are $nil (2019 - $nil). At year end $8,146,999 (2019 - $8,099,051) under the aggregate borrowing facility is available for use.

The Organization has provided a guarantee to the bank of Christian Horizons Foundation in the amount of $6,500,000 (2019 – $6,500,000).

### 8. Commitments:

The Organization is obligated under various leasing contracts for the rental of vehicles and facilities. The annual commitments under these contracts for the next five years are as follows:

| | | |
|---|---|---|
| 2021 | $ | 3,095,730 |
| 2022 | | 2,559,651 |
| 2023 | | 1,791,018 |
| 2024 | | 1,129,815 |
| 2025 | | 710,518 |
| | $ | 9,286,732 |

## 9. Change in non-cash operating working capital:

The change in non-cash operating working capital items is comprised of the following:

| | 2020 | 2019 |
|---|---|---|
| Decrease (increase) in current assets: | | |
| Subsidies receivable | $ 741,821 | $ 110,555 |
| Accounts receivable | (517,140) | (235,931) |
| Prepaid expenses and deposits | 140,690 | 16,766 |
| | 365,371 | (108,610) |
| Increase (decrease) in current liabilities: | | |
| Accounts payable and accrued liabilities | (458,103) | 1,770,663 |
| Subsidies payable | (632,443) | 1,266,071 |
| Deferred revenue | (21,685) | (53,340) |
| | (1,112,231) | 2,983,394 |
| | $ (746,860) | $ 2,874,784 |

## 10. Related party transactions:

(a) Christian Horizons (Canada):

Christian Horizons (Canada) is an independent organization that works with people who experience disabilities through residential and ancillary programs. Christian Horizons (Canada) is incorporated under the laws of Canada as a non-profit organization without share capital, is a registered charity within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

Christian Horizons (Canada) and the Organization are related parties as the Board of Directors of Christian Horizons (Canada) is also the Board of Directors of the Organization.

The following transactions occurred in the year ended March 31:

| | 2020 | 2019 |
|---|---|---|
| Management fee paid to Christian Horizons (Canada) | $ 1,194,114 | $ 1,274,975 |
| Consulting - leadership development paid to Christian Horizons (Canada) | 266,147 | 218,562 |
| Program costs charged to Christian Horizons (Canada) | – | 267,990 |
| Payment on properties held by Christian Horizons (Canada) | 60,613 | 60,613 |

**10. Related party transactions (continued):**

(b) Christian Horizons Global:

Christian Horizons Global is an independent organization that seeks to respond to the needs of children and adults at risk around the world. Christian Horizons Global is incorporated under the laws of Canada as a non-profit organization without share capital, is a registered charity within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

Christian Horizons Global and the Organization are related parties as the Board of Directors of Christian Horizons Global is also the Board of Directors of the Organization.

The following transactions occurred in the year ended March 31:

| | 2020 | 2019 |
|---|---|---|
| Shared services paid by Christian Horizons Global | $ 41,701 | $ 41,680 |

(c) Xeorixs Homes:

Xeorixs Homes is an independent organization which leases homes to individuals served by the Organization. Xeorixs Homes is incorporated under the laws of Ontario as a non-profit organization without share capital and is exempt from income taxes.

Xeorixs Homes and the Organization are related parties as the Board of Directors of the Organization is also the Board of Directors of Xeorixs Homes.

During the year, the Organization received from Xeorixs Homes $24,840 (2019 - $24,840) for administrative services provided by the Organization.

At March 31, 2020, there is $36,812 (2019 - $12,711) due from Xeorixs Homes that is included in accounts receivable.

**11. Financial risks:**

(a) Market risk:

The Organization believes that it is not exposed to significant market risk arising from its financial instruments.

(b) Interest rate risk:

The Organization manages its investment portfolio to earn investment income and invests according to a Statement of Investment Policy approved by the Board of Directors.

The Organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-interest instruments subject the Organization to a fair value risk while the floating-rate instruments subject it to a cash flow risk.

**11. Financial risks (continued):**

(c) Liquidity risk:

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its long-term debt. This risk is reduced because of the investments held.

(d) Credit risk:

The Organization does not have a significant exposure to any individual customer or counterparty other than the Province of Ontario and the Province of Saskatchewan. No allowance for impairment of receivables has been recorded at March 31, 2020 and 2019.

**12. Subsequent event:**

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had significant financial, market and social impacts.

At the time of approval of these financial statements, the Organization has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Experienced temporary declines in the fair value of investments and investment income;
- Incurred additional costs for supports, services and supplies;
- Restricted access at program locations and the centralized administration building based on public health recommendation from March 13, 2020 to the date of the approval of these financial statements by the Board of Directors; and
- Mandatory working from home requirements where appropriate.

As an organization conducting essential services, the majority of programs have continued, with modifications as necessary to ensure the health and safety of both people who experience disabilities and the employees.

At this time, these factors present uncertainty over future cash flows, may cause changes to the assets or liabilities and may have an impact on future operations.  An estimate of the financial effect is not practicable at this time. Financial uncertainty has been mitigated by additional funding from the Province of Ontario.