

CHATHAM-KENT HOSPICE FOUNDATION

**INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS**

MARCH 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Directors of
Chatham-Kent Hospice Foundation

Qualified Opinion

We have audited the financial statements of Chatham-Kent Hospice Foundation, which comprise the statement of financial position as at March 31, 2023, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Except as noted in the following paragraph, in our opinion, the financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2023, 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.

Basis for Qualified Opinion

In common with many charitable organizations, Chatham-Kent Hospice Foundation derives part of its income from the general public in the form of donation and fundraising activities, which by their nature are not susceptible to complete audit verification. Accordingly, our verification of revenue from these sources was limited to an examination of the amounts recorded in the records of the organization. We were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenditures, assets or net assets for the years ended March 31, 2022 or March 31, 2023.

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 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.

INDEPENDENT AUDITOR'S REPORT, continued

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 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.

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 organization's internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT, continued

- ◆ 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 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 organization 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.

Chatham, Ontario
June 20, 2023

Baker Tilly CK, LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

CHATHAM-KENT HOSPICE FOUNDATION

FINANCIAL STATEMENTS

MARCH 31, 2023



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CHATHAM-KENT HOSPICE FOUNDATION



STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2023

	2023	2022
REVENUES		
Donations	\$ 1,800,669	\$ 1,395,388
Grant income	40,745	26,075
Interest and investment income, cost investments	1,288	43,566
Interest and investment income, fair value investments	23,857	16,149
Special events	290,066	432,390
Other income	1,751	1,668
	<u>2,158,376</u>	<u>1,915,236</u>
EXPENDITURES (note 12)		
Advertising and promotion	52,421	108,798
Amortization	1,182	439
Bank charges and financial fees	29,790	17,041
Donor relations and recognition	7,943	7,676
Information technology	3,457	3,915
Insurance	3,838	3,162
Memberships and professional development	7,690	5,365
Office supplies	21,814	15,650
Professional and consulting fees	36,969	37,236
Salaries and wages	222,821	214,111
Special events	52,018	22,122
	<u>439,943</u>	<u>435,515</u>
EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER INCOME (EXPENSE)	<u>1,718,433</u>	<u>1,479,721</u>
OTHER INCOME (EXPENSE)		
COVID-19 Canada Emergency Wage Subsidy (note 13)	-	6,012
Donations to Chatham Kent Hospice Inc. (note 9)	(1,011,250)	(1,000,000)
Unrealized gain on fair value investments	2,087	2,594
Receipts from Chatham Kent Hospice Inc. (note 9)	-	697,058
	<u>(1,009,163)</u>	<u>(294,336)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 709,270</u>	<u>\$ 1,185,385</u>

CHATHAM-KENT HOSPICE FOUNDATION



STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2023

	<u>Sustainability fund</u>	<u>Unrestricted</u>	<u>Total 2023</u>	<u>Total 2022</u>
BALANCE, BEGINNING OF YEAR	\$ 3,333,173	\$ 580,906	\$ 3,914,079	\$ 2,728,694
Excess of revenues over expenditures	-	709,270	709,270	1,185,385
Transfer to sustainability fund (note 10)	<u>861,325</u>	<u>(861,325)</u>	<u>-</u>	<u>-</u>
BALANCE, END OF YEAR	<u>\$ 4,194,498</u>	<u>\$ 428,851</u>	<u>\$ 4,623,349</u>	<u>\$ 3,914,079</u>

CHATHAM-KENT HOSPICE FOUNDATION



STATEMENT OF FINANCIAL POSITION

MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 465,839	\$ 645,067
Short-term investments, at cost (note 3)	-	250,466
Short-term investments, at fair value (note 3)	4,194,498	3,082,707
Accounts receivable (notes 4 and 9)	14,646	23,967
Prepaid expenses	<u>11,099</u>	<u>7,156</u>
	4,686,082	4,009,363
TANGIBLE CAPITAL ASSETS (note 5)	<u>4,288</u>	<u>1,755</u>
	<u>\$ 4,690,370</u>	<u>\$ 4,011,118</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (notes 6 and 9)	\$ 12,039	\$ 48,985
Deferred special event revenue (note 7)	42,682	41,054
Deferred contributions (note 8)	<u>12,300</u>	<u>7,000</u>
	<u>67,021</u>	<u>97,039</u>
SUSTAINABILITY FUND (notes 3 and 10)	4,194,498	3,333,173
UNRESTRICTED	<u>428,851</u>	<u>580,906</u>
	4,623,349	3,914,079
	<u>\$ 4,690,370</u>	<u>\$ 4,011,118</u>

ON BEHALF OF THE BOARD

Director

Director

CHATHAM-KENT HOSPICE FOUNDATION**STATEMENT OF CASH FLOWS****YEAR ENDED MARCH 31, 2023**

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 709,270	\$ 1,185,385
Adjustments for		
Amortization	1,182	439
Adjustment of investments to fair value	<u>(2,087)</u>	<u>(733)</u>
	708,365	1,185,091
Change in non-cash working capital items (note 11)	<u>(24,640)</u>	<u>(43,035)</u>
	<u>683,725</u>	<u>1,142,056</u>
INVESTING ACTIVITIES		
Purchase of investments	(1,109,705)	(2,603,930)
Proceeds on withdrawal of investment funds	250,467	1,779,107
Purchase of tangible capital assets	<u>(3,715)</u>	<u>(2,194)</u>
	<u>(862,953)</u>	<u>(827,017)</u>
INCREASE (DECREASE) IN CASH	(179,228)	315,039
CASH, BEGINNING OF YEAR	<u>645,067</u>	<u>330,028</u>
CASH, END OF YEAR	<u>\$ 465,839</u>	<u>\$ 645,067</u>

1. NATURE OF OPERATIONS

Chatham-Kent Hospice Foundation was incorporated without share capital on March 20, 2015, under the laws of Ontario. The organization's mission is to enhance the financial sustainability of Chatham Kent Hospice Inc. by working with the community to raise funds, awareness, and understanding to enable compassionate, quality near end of life experiences for the residents of Chatham-Kent. The organization is a registered charity under the Income Tax Act and is exempt from income taxes, provided that certain requirements of the Income Tax Act are met.

2. SIGNIFICANT ACCOUNTING POLICIES

The organization applies the Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

(a) CASH

Cash consists of balances with financial institutions.

(b) INVESTMENTS

The organization follows the cost method of accounting for its guaranteed investment certificate investments. These investments are written down for any impairment in value that is considered other than temporary.

The organization has elected to classify all of its equity investments as held-for-trading, and accordingly, they are recorded at fair value. Changes in fair values during the year are included in revenues on the statement of operations with any unrealized gain or loss on the conversion to fair value recorded in other income or expense. Quoted market prices were used to determine the fair value of the equity investments at the year end date.

(c) TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at cost. The organization provides for amortization using the straight-line method at rates designed to amortize the cost of the tangible capital assets over their estimated useful lives. The annual amortization rate is as follows:

Computer equipment	5 years
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Tangible capital assets are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows is less than the carrying value of the asset, an impairment loss is recognized for the excess of the carrying value over the fair value of the asset during the year the impairment occurs.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) INTERNALLY RESTRICTED NET ASSETS

Internally restricted funds are established as required at the discretion of the board of directors. Increases or decreases in these funds are made by appropriations to or from operations and, where appropriate, upon approval of the board of directors. The internally restricted funds are not available for purposes other than those described below without the approval of the board of directors.

The sustainability fund is used to hold funding to cover capital upgrades, growth initiatives and unforeseen operational shortfalls for Chatham Kent Hospice Inc., as approved by the board of directors. The organization's goal is to maintain a balance in the sustainability fund between a minimum of 12 months of operating funds and a maximum of 36 months of operating funds.

(e) REVENUE RECOGNITION

The organization follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred.

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.

Unrestricted interest and investment income is recognized as revenue when earned.

Other income, special event income, receipts from Chatham Kent Hospice Inc. and COVID-19 Canada Emergency Wage Subsidy revenues are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(f) CONTRIBUTED MATERIALS AND SERVICES

Contributions of materials are recognized in the financial statements at fair value at the date of contribution, but only when a fair value can be reasonably estimated, when the materials are used in the normal course of operations, and when the materials would otherwise have been purchased.

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

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(g) SEGMENTATION OF EXPENSES

The organization's expenses are segregated into fundraising or administrative categories in the supporting notes to the financial statements. See note 12. These segments are identified and segregated on the basis of the activities undertaken by the Chatham-Kent Hospice Foundation and expenses are allocated to these segments according to the amount of time spent in each area.

(h) FINANCIAL INSTRUMENTS

Financial instruments are financial assets or liabilities of the organization where, in general, the organization has the right to receive cash or another financial asset from another party or the organization has the obligation to pay another party cash or other financial assets.

The organization's financial assets consist of cash, short-term investments at fair value and accounts receivable. The organization's financial liabilities consist of accounts payable and accrued liabilities.

The organization initially measures these financial instruments at fair value except for certain non-arm's length transactions that are measured at the exchange amount.

The organization initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the organization is in the capacity of management, are initially measured at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If repayment terms exist, the cost is determined using its undiscounted cash flows, excluding interest payments, less any impairment losses previously recognized by the transferor. Otherwise, the cost is determined using the consideration transferred or received by the organization in the transaction.

With the exception of short-term investments at fair value, the financial instruments are subsequently measured at amortized cost and are evaluated for impairment at each statement of financial position date with the write down recorded in excess (deficiency) of revenues over expenditures. Impairment reversals may occur and the asset can be written up to its original cost. Short-term investments at fair value are subsequently measured at their fair value.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(i) 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, such as the allowance for doubtful accounts, the useful life and amortization of tangible capital assets, certain accruals and deferred revenues, that affect the reported amounts at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Actual results could differ from management's best estimates 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 periods in which they become known.

3. INVESTMENTS

The organization's sustainability fund is comprised of all investments held by the organization.

Short-term sustainability fund investments at cost consist of the following:

	<u>2023</u>	<u>2022</u>
Guaranteed investment certificate, matured	\$ -	\$ 250,466

Short-term sustainability fund investments at fair value consist of the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents (2023 cost - \$1,419,464, 2022 cost - \$1,434,086)	\$ 1,422,474	\$ 1,435,713
Fixed income securities and fixed income funds, minority interest (2023 cost - \$1,443,620, 2022 cost - \$695,465)	1,419,260	677,134
Equities and equity funds, minority interest (2023 cost - \$1,138,152, 2022 cost - \$950,562)	1,173,309	969,860
Other, minority interest (2023 cost - \$188,801, 2022 cost - \$nil)	<u>179,455</u>	<u>-</u>
	<u>\$ 4,194,498</u>	<u>\$ 3,082,707</u>

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

3. INVESTMENTS, continued

At year end, the composition of the aggregate investments held by the organization in the sustainability fund are as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents, at fair value	\$ 1,422,474	\$ 1,435,713
Fixed income securities and fixed income funds, at fair value	1,419,260	677,134
Equities and equity funds, at fair value	1,173,309	969,860
Other, at fair value	179,455	-
Guaranteed investment certificates, at cost	-	250,466
	<u>\$ 4,194,498</u>	<u>\$ 3,333,173</u>

4. ACCOUNTS RECEIVABLE

	<u>2023</u>	<u>2022</u>
Trade accounts receivable (note 9)	\$ 9,495	\$ 5,524
Accrued interest receivable	-	4,106
HST receivable	5,151	14,337
	<u>\$ 14,646</u>	<u>\$ 23,967</u>

5. TANGIBLE CAPITAL ASSETS

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>	<u>Net</u>
Computer equipment	\$ 5,909	\$ 1,621	\$ 4,288	\$ 1,755

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2023</u>	<u>2022</u>
Trade accounts payable (note 9)	\$ 2,209	\$ 29,096
Accrued liabilities	8,077	14,701
Government remittances payable	1,753	5,188
	<u>\$ 12,039</u>	<u>\$ 48,985</u>

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

7. DEFERRED SPECIAL EVENT REVENUE

Deferred special event revenue represents unearned revenue relating to special events that are scheduled to take place subsequent to the year end, including the Hike for Hospice. As the expenses related to these special events are incurred, the balance of the deferred special events revenue account will be reduced.

	<u>2023</u>	<u>2022</u>
Opening balance	\$ 41,054	\$ 114,740
Amount received in the year	42,682	144,474
Amount recognized as income in the year	<u>(41,054)</u>	<u>(218,160)</u>
Closing balance	<u>\$ 42,682</u>	<u>\$ 41,054</u>

8. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent resources that are related to expenditures for subsequent periods. The deferred contribution balance relates to funds received by the organization for expenses of a future fiscal period. As the expenses related to these resources are incurred, the balance of the deferred contributions account will be reduced.

	<u>2023</u>	<u>2022</u>
Opening balance	\$ 7,000	\$ -
Amount received in the year	34,800	21,900
Expenses recognized in the year	<u>(29,500)</u>	<u>(14,900)</u>
Closing balance	<u>\$ 12,300</u>	<u>\$ 7,000</u>

9. RELATED PARTY TRANSACTIONS

The organization is related to Chatham Kent Hospice Inc., as the Chatham-Kent Hospice Foundation is responsible for all fundraising and donation activities carried out on Chatham Kent Hospice Inc.'s behalf.

The organization is related to St. Andrew's Residence, Chatham, by way of shared services.

Included in accounts receivable at year end is \$9,495, (2022 - \$5,524) due from related parties. Included in accounts payable at year end is \$nil, (2022 - \$1,807) due to related parties.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

9. RELATED PARTY TRANSACTIONS, continued

During the year, the organization transferred \$1,011,250, (2022 - \$1,000,000) to Chatham Kent Hospice Inc. to assist with the related party's operations.

During the year, the organization received \$nil, (2022 - \$697,058) from Chatham Kent Hospice Inc. related to surplus funds that were subsequently reinvested in the sustainability fund.

In the year, the organization received \$79,304, (2022 - \$73,006) from related parties for reimbursement of expenses paid on related parties' behalf.

During the year, the organization paid \$85,749, (2022 - \$78,420) to related parties for reimbursement of expenses paid on the organization's behalf.

Management is of the opinion that related party transactions are performed at fair value. Consequently, all related party transactions are measured at the exchange amount.

10. SUSTAINABILITY FUND

During the year, the organization's board of directors approved an internal restriction of \$861,325, (2022 - \$825,556) of revenues for the purposes of growing the sustainability fund. These funds were transferred from unrestricted operations to the sustainability fund. In the year, \$nil, (2022 - \$nil) was distributed from this fund at the direction of the board of directors.

11. CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 9,321	\$ (128)
Prepaid expenses	(3,943)	(4,639)
Accounts payable and accrued liabilities	(36,946)	28,418
Deferred special event revenue	1,628	(73,686)
Deferred contributions	5,300	7,000
	<u>\$ (24,640)</u>	<u>\$ (43,035)</u>

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

12. ALLOCATION OF FUNDRAISING AND ADMINISTRATION EXPENSES

	<u>Fundraising</u>	<u>Administration</u>	<u>2023</u>	<u>2022</u>
Advertising and promotion	\$ 52,421	\$ -	\$ 52,421	\$ 108,798
Amortization	-	1,182	1,182	439
Bank charges and financial fees	29,790	-	29,790	17,041
Donor relations and recognition	7,943	-	7,943	7,676
Information technology	-	3,457	3,457	3,915
Insurance	-	3,838	3,838	3,162
Memberships and professional development	7,690	-	7,690	5,365
Office supplies	10,907	10,907	21,814	15,650
Professional and consulting fees	22,181	14,788	36,969	37,236
Salaries and wages	133,693	89,128	222,821	214,111
Special events	52,018	-	52,018	22,122
	<u>\$ 316,643</u>	<u>\$ 123,300</u>	<u>\$ 439,943</u>	<u>\$ 435,515</u>

13. GOVERNMENT ASSISTANCE

In response to the COVID-19 pandemic, the Canadian government introduced the Canada Emergency Wage Subsidy program during the 2021 fiscal year. This program provided funds to Canadian employers who had experienced a decline in revenues due to the pandemic to enable them to re-hire workers and transition back into normal operations. During the 2023 fiscal year, the Chatham-Kent Hospice Foundation applied for \$nil, (2022 - \$6,012) of subsidy funding, all of which had been received as of year end. These funds have been recognized as other income in the statement of operations.

14. COMPARATIVE FIGURES

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

15. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an organization assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments. In management's opinion, there has been no change to the organization's risks during the year.

(a) MARKET RISK

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether the factors are specific to the instrument or all instruments traded in the market. These risks are generally outside the control of the organization. In management's opinion, the organization is not exposed to significant market risk.

(b) CREDIT RISK

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The organization is exposed to credit risk in the event of non-payment by parties for their accounts receivable. The organization reduces its exposure to credit risk by creating an allowance for doubtful accounts when applicable. In the opinion of management, the credit risk exposure to the organization is low and is not material.

(c) CONCENTRATION RISK

Concentration risk is the risk that a party has more than ten percent of the total accounts receivable balance and thus there is a higher risk to the organization in the event of a default by one of these parties. Concentrations of credit risk relates to groups of counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. At March 31, 2023, receivables from 2 parties, (2022 - 2 parties) comprised approximately 100%, (2022 - 83%) of the total outstanding receivables. The organization reduces concentration risk by regularly assessing the credit risk associated with these accounts and closely monitoring any overdue balances. In the opinion of management, the concentration risk exposure to the organization is low and is not material.

(d) LIQUIDITY RISK

Liquidity risk is the risk that the organization cannot repay its obligations when they become due to its creditors. The organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and by preparing budgets and cash forecasts to ensure that sufficient funds are available to fulfil the organization's obligations. In the opinion of management, the liquidity risk exposure to the organization is low and is not material.

15. FINANCIAL INSTRUMENTS, continued

(e) INTEREST RATE RISK

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This exposure may have an effect on earnings in future periods. The organization is exposed to interest rate risk on its investments. The organization reduces its exposure to interest rate risk by diversifying its investment portfolio. The organization does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management, interest rate risk exposure to the organization is low and is not material.