

Financial Statements of

**THE KENSINGTON HEALTH CENTRE**

March 31, 2024

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## INDEPENDENT AUDITOR'S REPORT

To the Members of  
**THE KENSINGTON HEALTH CENTRE**

We have audited the accompanying financial statements of The Kensington Health Centre ("the Centre"), which comprise the balance sheet as at March 31, 2024, and the statement of operations and 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2024, 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 Opinion**

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 Centre 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 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 Centre'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 Centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Centre'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 Centre'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 doubt on the Centre'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 Centre 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.

TORONTO, Ontario  
September 24, 2024



**Licensed Public Accountants**

# THE KENSINGTON HEALTH CENTRE

## Balance Sheet

As at March 31	2024	2023
<b>Assets</b>		
Current		
Cash	\$ 3,409,212	\$ 5,625,415
Receivables (note 3)	3,545,821	2,067,385
Public service body rebate receivable	485,494	629,862
Inventory and prepaid expenses	564,833	529,867
Due from related organizations (note 4(a))	2,221,276	2,221,104
	10,226,636	11,073,633
Capital assets (note 5)	43,721,506	44,339,831
	<b>\$ 53,948,142</b>	<b>\$ 55,413,464</b>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities (note 6)	\$ 6,197,961	\$ 6,717,692
Deferred revenue (note 7)	544,500	394,157
Due to related organizations (note 4(a))	-	900,000
	6,742,461	8,011,849
Due to related organizations (note 4(a))	-	1,726,280
Mortgage loan payable to related organization (note 4(b))	3,500,000	3,500,000
Promissory note payable to related organization (note 4(c))	3,500,000	3,500,000
Deferred capital contributions (note 8)	19,761,229	18,193,478
	33,503,690	34,931,607
<b>Net Assets</b>		
Capital reserve fund (note 2(d) and 9)	-	500,000
Invested in capital assets (note 10)	20,409,343	18,859,128
Unrestricted	35,109	1,122,729
	20,444,452	20,481,857
	<b>\$ 53,948,142</b>	<b>\$ 55,413,464</b>

Contingencies (note 13)

See accompanying notes to financial statements.

On behalf of the Board of Directors:

 Director

 Director

# THE KENSINGTON HEALTH CENTRE

## Statement of Operations

Year ended March 31	2024	2023
Revenue		
Government funding (note 11)	\$ 33,694,206	\$ 30,154,627
Resident co-payment	8,786,083	8,476,932
Other	856,944	672,014
Donations and grants	739,362	709,983
	<b>44,076,595</b>	40,013,556
Expense		
Salaries, wages and benefits	33,250,387	28,185,301
Operations	9,844,696	10,452,232
Interest	126,099	104,764
	<b>43,221,182</b>	38,742,297
Excess of revenue over expense for the year before undernoted items	855,413	1,271,259
Amortization of deferred capital contributions (note 8)	1,398,516	1,055,622
Amortization of capital assets	(2,291,334)	(1,316,511)
Excess (deficiency) of revenue over expense for the year	\$ (37,405)	\$ 1,010,370

See accompanying notes to financial statements.

# THE KENSINGTON HEALTH CENTRE

## Statement of Changes in Net Assets

Year ended March 31	Invested in capital assets (note 10)	Capital reserve fund	Unrestricted	2024 Total	2023 Total
Net assets, beginning of the year	\$ 18,859,128	\$ 500,000	\$ 1,122,729	\$ 20,481,857	\$ 19,471,487
Excess (deficiency) of revenue over expense for the year	(892,818)	-	855,413	(37,405)	1,010,370
Purchase of capital assets	1,673,009	-	(1,673,009)	-	-
Financed by - capital donations	(2,966,267)	-	2,966,267	-	-
- accounts payable and accrued liabilities	1,110,011	(500,000)	(610,011)	-	-
Advances from related parties	2,626,280	-	(2,626,280)	-	-
Net assets, end of the year	\$ 20,409,343	\$ -	\$ 35,109	\$ 20,444,452	\$ 20,481,857

# THE KENSINGTON HEALTH CENTRE

## Statement of Cash Flows

Year ended March 31	2024	2023
<b>Operating activities</b>		
Cash received from government funders	\$ 33,123,873	\$ 29,982,602
Cash received from resident co-payments	8,742,431	8,493,557
Cash received from operating donations and grants	497,065	656,984
Cash received from other revenue	1,007,401	377,959
Cash paid to employees and suppliers	(43,017,841)	(37,968,106)
Net cash provided by operating activities	352,929	1,542,996
<b>Financing activities</b>		
Cash received from capital donations	2,966,267	2,778,225
Advances from (repayments to) related organizations (net)	(2,626,280)	2,626,280
Payments for principal on mortgage loans	-	(2,032)
Payments for interest on promissory note and mortgage loans	(126,099)	(391,842)
Net cash provided by financing activities	213,888	5,010,631
<b>Investing activities</b>		
Purchase of capital assets	(2,783,020)	(4,660,412)
Increase (decrease) in cash	(2,216,203)	1,893,215
Cash, beginning of year	5,625,415	3,732,200
Cash, end of year	\$ 3,409,212	\$ 5,625,415

# THE KENSINGTON HEALTH CENTRE

Notes to Financial Statements

March 31, 2024

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## 1 Organization

The Kensington Health Centre ("the Centre") was incorporated by letters patent on March 1, 1955. The Centre is a registered charity under the Income Tax Act (Canada) and accordingly is exempt from income taxes.

The Centre is committed to improving the health of its community by working with consumers and other providers to deliver culturally appropriate health care and related social service programs for people of all ages, as well as a continuum of long-term care and complementary programs for seniors.

The Centre owns and operates a 350-bed long-term care facility ("Kensington Gardens") and a 19-bed hospice ("Kensington Hospice").

The Centre is the Mid-West Toronto Ontario Health Team ("MWT-OHT") lead.

## 2 Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

### (a) Revenue recognition

#### (i) Contributions

The Centre follows the deferral method of accounting for contributions which include donations and government grants.

Unrestricted contributions are recognized as revenue in the period received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight line basis, at a rate corresponding with the amortization rate for the related capital assets.

#### (ii) Resident revenue

Resident revenue is recognized when services are provided.

#### (iii) Fees for services

Fees for services revenue is recorded once the service has been completed.

#### (iv) Investment income

Investment income comprises interest from cash and investments. Revenue is recognized on an accrual basis. Interest on fixed income investments is recognized over the terms of these investments using the effective interest rate method.

### (b) Inventory

Inventories are valued at the lower of cost and replacement cost. The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, and is determined on a first-in, first-out basis.

### (c) Capital assets

The Centre records capital assets at cost. The cost of a capital asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use. When conditions indicate a capital asset no longer contributes to the Centre's ability to provide services or that the value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount, its net carrying amount is written down to its fair value or replacement cost.

# THE KENSINGTON HEALTH CENTRE

Notes to Financial Statements

March 31, 2024

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## 2 Significant accounting policies (continued)

### (c) Capital assets (continued)

Capital assets are depreciated over their estimated useful lives using the straight-line method as follows:

Buildings	30 years
Furniture and equipment	3 - 5 years
Computer software	3 - 5 years

A half-year of amortization is taken in the year of acquisition.

Amortization methods, useful lives and residual values are reviewed annually and adjusted if necessary.

### (d) Internally restricted reserve funds

The Board of Directors has established an Operating and a Capital Reserve Fund. Transfers from unrestricted net assets to the Operating and Capital Reserve Fund are made at the discretion of the Board of Directors. These internally restricted funds are not available for program delivery or other purposes without prior approval of the Board of Directors.

(i) The Operating Reserve Fund was established to provide the Centre with financial stability in the event of an unforeseen crisis.

(ii) The Capital Reserve Fund was established to provide for future capital requirements.

### (e) Employee pension plans

Eligible unionized employees of the Centre are members of multi-employer target-benefit pension plan for members of the participating unions. The plan is funded by contributions made by the employees and matched by the Centre as defined by the collective agreement. Eligible non-unionized employees of the Centre are members a multi-employer defined contribution plan. The Centre follows defined contribution plan accounting for its employee pension plans, whereby contributions are expensed when due.

### (f) Contributed goods and services

The value of goods and services is recorded as revenue and an expense in the financial statements when the fair value can be reasonably estimated and when the goods and services would otherwise be purchased if not donated.

Volunteers provide invaluable donated services to the Centre. Since the fair value of volunteer time is not reliably determinable, these contributed services are not recognized in the financial statements.

### (g) Financial instruments

#### (i) Measurement

The Centre initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Centre subsequently measures all its financial assets and financial liabilities at amortized cost.

#### (ii) Impairment

At the end of each reporting period, the Centre assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that comes to the attention of the Centre. When there is an indication of impairment, the Centre determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset.

# THE KENSINGTON HEALTH CENTRE

Notes to Financial Statements

March 31, 2024

## 2 Significant accounting policies (continued)

### (h) Management 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 amounts 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 current period. Significant estimates include the impairment of accounts receivable, the useful lives of capital assets, certain accrued liabilities and settlements with government funders.

All estimates are reviewed periodically and adjustments are made to the statement of operations as appropriate in the year they become known.

## 3 Receivables

Included in accounts receivable are the following amounts of government funding:

As at March 31	2024	2023
Ministry of Long-Term Care - Gardens	\$ 1,444,410	\$ 1,079,520
Ontario Health - Gardens	940,050	-
Government of Canada - Gardens	95,500	-
Ministry of Health - MWT-OHT	65,000	-
Ontario Health - Hospice	1,341	229,657
	<b>\$ 2,546,301</b>	<b>\$ 1,309,177</b>

## 4 Related party transactions

Significant influence exists between the Centre, The Kensington Eye Institute ("KEI"), The Kensington Research Institute ("KRI") and SMC by virtue of partial or full common representation on the board of directors and shared policies and management.

KEI was incorporated without share capital in the province of Ontario October 6, 2003. KEI is licensed under the Independent Health Facilities Act and operates a Surgical and Medical Vision Care and Research facility to provide surgical, medical and ancillary ambulatory care services to the public. KEI is dedicated to providing educational programs and materials as well as academic and teaching resources pertaining to medical and surgical eye care, including specifically the education of medical students, physicians, surgical residents and fellows, nursing staff, technologists and other paramedical personnel. KEI also conducts research around vision health issues.

KRI was incorporated without share capital in the province of Ontario on January 4, 2008. KRI is dedicated to providing health-related research, services and educational programs and materials as well as other academic and teaching resources pertaining to medical and surgical eye care, including specifically the education of medical students, physicians, surgeons nursing staff, technologists and other paramedical personnel.

SMC was incorporated without share capital in the province of Ontario on June 16, 1947. SMC is a community support agency that serves seniors and older adults with disabilities in the City of Toronto. SMC provides a diverse range of services and programs designed to support the independence, social well being and health of a multicultural community of seniors and older adults, along with a helping hand and respite for families and caregivers.

The Kensington Health Foundation ("KHF") is related due to the fundraising activities that it carries out on behalf of the Centre.

Each of KEI, KRI, SMC and KHF is a registered charity under the Income Tax Act (Canada) and accordingly is exempt from income taxes.

# THE KENSINGTON HEALTH CENTRE

Notes to Financial Statements

March 31, 2024

## 4 Related party transactions (continued)

The assets, liabilities and operating activities of the related corporations are excluded from the Centre's financial statements.

Related party transactions are considered to be in the normal course of operations and have been recorded at the exchange amount, which is the amount agreed upon by both parties. Amounts due from (to) related organizations are non-interest bearing and are repayable on demand.

### (a) Due from related organizations

The Centre has recorded the following amounts as due from related organizations:

As at March 31	2024	2023
The Kensington Eye Institute	\$ 958,697	\$ 1,516,182
The Second Mile Club of Toronto	950,363	648,249
The Kensington Health Foundation	312,216	56,673
	<b>\$ 2,221,276</b>	<b>\$ 2,221,104</b>

At the prior year end, the Centre had recorded \$2,626,280 due to The Kensington Health Foundation. During the current year, this amount was converted to a promissory note payable, bearing interest at a rate of 3.00%. The principal balance was due in monthly installments in the minimum amount of \$100,000 plus interest starting July 1, 2023, and maturing October 1, 2025. The full balance of the promissory note was repaid during the current year.

### (b) Mortgage loan payable

The mortgage loan is payable to The Kensington Health Foundation and is secured by a subordinate ranking mortgage against the land and buildings of Kensington Gardens and a security interest in all present and future personal property (including rents and cash) of the Centre.

The mortgage loan payable to The Kensington Health Centre bears interest at 2.00% and requires interest-only payments until October 30, 2025, and beginning November 1, 2025, monthly payments of \$100,000 plus interest until maturity on September 1, 2028.

The minimum required principal repayments are as follows:

2026	\$ 500,000
2027	1,200,000
2028	1,200,000
2029	600,000
	<u>\$ 3,500,000</u>

### (c) Promissory note payable

The promissory note due to The Kensington Eye Institute is non-interest bearing and has no fixed terms of repayment.

# THE KENSINGTON HEALTH CENTRE

Notes to Financial Statements

March 31, 2024

## 4 Related party transactions (continued)

### (d) Donations and capital contributions

The Centre recognized the following contributions from The Kensington Health Foundation:

Year ended March 31	2024	2023
Donations and grants	\$ 718,241	\$ 709,981
Capital contributions	1,013,700	381,684
	<b>\$ 1,731,941</b>	<b>\$ 1,091,665</b>

### (e) Rental income

Included in other revenues is rent of \$68,670 (2023 - \$68,670) received from The Second Mile Club of Toronto.

### (f) Interest expense

Included in interest expense is \$125,822 (2023 - \$104,764) paid to The Kensington Health Foundation.

## 5 Capital assets

As at March 31	2024		2023	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Land	\$ 1,308,078	\$ -	\$ 1,308,078	\$ -
Buildings	67,505,318	26,385,827	66,617,455	24,363,259
Computer equipment and software	527,805	94,120	73,438	41,610
Furniture and equipment	5,496,071	4,635,819	5,165,293	4,419,564
	<b>\$ 74,837,272</b>	<b>\$ 31,115,766</b>	<b>\$ 73,164,264</b>	<b>\$ 28,824,433</b>
Net book value		<b>\$ 43,721,506</b>		<b>\$ 44,339,831</b>

## 6 Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are the following balances due to government funders:

As at March 31	2024	2023
Ministry of Long Term-Care - Gardens	\$ 1,983,494	\$ 798,106
Ontario Health - MWT-OHT	175,641	102,713
Ontario Health - Hospice	-	393,750
	<b>\$ 2,159,135</b>	<b>\$ 1,294,569</b>

# THE KENSINGTON HEALTH CENTRE

Notes to Financial Statements

March 31, 2024

## 7 Deferred revenue

Deferred revenue is comprised of unspent designated contributions.

Year ended March 31	OH - MWT-OHT	Other	2024	2023
Balance, beginning of year	\$ 363,000	\$ 31,157	\$ 394,157	\$ 523,868
Contributions	2,004,623	-	2,004,623	1,587,952
Less: recognized as revenue	(1,823,123)	-	(1,823,123)	(1,614,949)
Transferred to accounts payable	-	(31,157)	(31,157)	(102,714)
Balance, end of year	\$ 544,500	\$ -	\$ 544,500	\$ 394,157

Funded expenditures of the MWT-OHT are comprised of:

Year ended March 31	2024	2023
One-time projects	\$ 1,073,123	\$ 530,327
Project management	235,629	518,974
Population health	188,126	241,366
Digital health	126,297	157,669
Patient / caregiver engagement	110,796	159,250
Physician / clinician engagement	99,010	10,109
(less) interest earned on funding	(9,858)	(2,746)
	\$ 1,823,123	\$ 1,614,949

## 8 Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations received from The Kensington Health Foundation and other contributors to assist with the construction and equipping of the Gardens and Hospice, and to purchase other properties.

Year ended March 31	2024	2023
Balance, beginning of year	\$ 18,193,478	\$ 16,470,875
Contributions	2,966,267	2,778,225
Less: amounts recognized as revenue	(1,398,516)	(1,055,622)
Balance, end of year	\$ 19,761,229	\$ 18,193,478

# THE KENSINGTON HEALTH CENTRE

## Notes to Financial Statements

March 31, 2024

### 9 Capital reserve

The Board of Directors approved a transfer of \$500,000 from the Capital Reserve Fund to unrestricted net assets to fund the expenditure on capital assets during the year.

### 10 Invested in capital assets

The composition of net assets invested in capital assets is as follows:

As at March 31	2024	2023
Capital assets, net book value	\$ 43,721,506	\$ 44,339,831
Less: Accounts payable and accrued liabilities	(50,934)	(1,160,945)
Advances from related party	-	(2,626,280)
Secured long-term debt	(3,500,000)	(3,500,000)
Deferred capital contributions	(19,761,229)	(18,193,478)
	<b>\$ 20,409,343</b>	<b>\$ 18,859,128</b>

### 11 Government funding

Year ended March 31	2024	2023
Ministry of Long-Term Care	\$ 28,241,044	\$ 26,160,046
Ontario Health	5,453,162	3,994,581
	<b>\$ 33,694,206</b>	<b>\$ 30,154,627</b>

### 12 Pension

Employer contributions made to the plans during the year by the Centre total \$785,778 (2023 - \$580,256). These amounts are included in salaries, wages and benefits expense in the statement of operations.

### 13 Contingencies

The Centre has entered into funding agreements which govern the relationship with the various providers listed in note 11.

The Centre reports annually to the funders for the purpose of determining whether any funding amounts must be repaid. Any amounts repayable are estimated and accrued in the financial statements. Final settlement is subject to review and assessment by the funders. Any adjustments required as a result of the funding provider's review will be accounted for upon settlement.

Funding providers may terminate the funding agreement if it determines that the Centre is in breach of any of its terms and conditions and the breach is not cured within an established time period after written notice of the breach is provided. Upon termination, funding received in relation to certain capital assets may have to be repaid if the related assets are sold.

### 14 Economic dependence

The Centre recognized \$28,241,044 (2023 - \$26,160,046) of funding from the Ministry of Long-Term Care. This funding represents approximately 64% (2023 - 65%) of total revenue.

# THE KENSINGTON HEALTH CENTRE

Notes to Financial Statements

March 31, 2024

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## 15 Financial instruments

The Centre is exposed to various risks through its financial instruments. The following analysis provides a measure of the Centre's risk exposure and concentrations.

### **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 Centre is exposed to credit risk through its cash and accounts receivable.

The Centre's bank accounts are held at one financial institution. Funds on deposit exceed the maximum amount insured.

Government funding receivables are secured by provincial and/or federal governments. All other accounts receivable are unsecured.

### **Liquidity risk**

Liquidity risk is the risk that the Centre will not be able to meet a demand for cash or fund its obligations as they come due. The Centre meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations and anticipating investing and financing activities.

### **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 is comprised of currency risk, interest rate risk and other price risk.

The Centre is not exposed to currency risk or other price 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 Centre is subject to interest rate risk to the extent that its long-term debt may be subject to interest rate changes on maturity and from its interest bearing assets. The Centre has not entered into any derivative agreements to mitigate this risk.

The Centre's cash includes amounts on deposit with financial institutions that earn interest at market rates. The Centre manages its exposure to the interest rate risk of its cash by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the Centre's results of operations.

### **Changes in risk**

There have been no significant changes in the Centre's risk exposures in financial instruments from the prior year.