

ONTARIO LIBRARY ASSOCIATION

FINANCIAL STATEMENTS

AUGUST 31, 2018

HILBORN_{LLP}

Independent Auditor's Report

To the Members and Board of Directors of
Ontario Library Association

We have audited the accompanying financial statements of Ontario Library Association, which comprise the statement of financial position as at August 31, 2018, and the statements of operations and changes in net assets - general fund, restricted fund revenues and expenses and 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 organization'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 organization'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 for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Library Association as at August 31, 2018, 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.



Toronto, Ontario
January 11, 2019

Chartered Professional Accountants
Licensed Public Accountants

ONTARIO LIBRARY ASSOCIATION

Statement of Financial Position

August 31	2018	2017
	\$	(note 2) \$
ASSETS		
Current assets		
Cash	921,677	904,733
Short term investments (note 3)	256,059	155,097
Accounts receivable (note 4)	140,326	113,246
Inventory	75,374	54,009
Prepaid expenses - conference	5,556	1,178
- other	59,256	61,774
	1,458,248	1,290,037
Long-term assets		
Long term investments (note 3)	237,137	233,038
Loan receivable (note 5)	13,038	12,139
Capital assets (note 6)	24,927	31,685
Intangible assets (note 7)	98,585	31,245
Assets under capital lease (note 8)	9,088	11,360
	382,775	319,467
	1,841,023	1,609,504
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	223,990	169,513
Capital lease obligation (note 9)	2,297	2,232
Deferred revenue (note 10)	147,439	52,250
	373,726	223,995
Long-term liabilities		
Capital lease obligation (note 9)	8,579	10,876
NET ASSETS		
General fund	1,248,533	1,161,765
Internally restricted funds	116,298	119,376
Externally restricted funds	93,887	93,492
	1,458,718	1,374,633
	1,841,023	1,609,504

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board of Directors:

President _____

Treasurer _____

ONTARIO LIBRARY ASSOCIATION

Statement of Operations and Changes in Net Assets - General Fund

Year ended August 31	2018	Eight-month period ended 2017 <i>(note 2)</i>
	\$	\$
Revenues		
Membership	335,423	143,504
Conference	1,379,141	1,300,846
Continuing education	154,105	109,054
The Library Marketplace - publications and merchandise	337,339	230,785
Contract administration (Youth Initiative)	-	8,856
Programs and projects (note 11)	506,266	221,669
Government grants (note 12)	40,300	26,867
Contributions	30,997	131
Investment income	8,652	6,218
Other income (note 13)	156,656	98,748
	2,948,879	2,146,678
Expenses		
Salaries and benefits	976,506	632,595
Conference	681,529	552,049
Continuing education	88,295	48,507
Publications	218,574	176,120
Programs and projects (note 11)	393,680	207,949
Provision for doubtful accounts	744	1,760
Honoraria and awards	13,228	19,972
Catering	15,296	10,897
Purchased services and materials	107,656	48,465
Travel, lodging and meals	56,460	37,103
Occupancy costs	152,537	102,522
Equipment rental and maintenance	36,563	28,682
Supplies, printing, delivery, etc.	16,446	20,275
Telephone	15,131	9,457
Professional fees	34,019	25,703
Amortization of intangible assets	6,249	4,807
Depreciation of capital assets	9,029	7,592
Bank charges and credit card fees	13,665	6,715
Foreign exchange	29,582	4,694
	2,865,189	1,945,864
Revenues over expenses before the following	83,690	200,814
Loss on disposal of intangible assets	-	(59,639)
Excess of revenues over expenses for the year	83,690	141,175
Net assets - general fund - at beginning of period	1,161,765	1,017,893
Transfer from internally restricted funds	3,078	2,697
Net assets - general fund - at the end of period	1,248,533	1,161,765

The accompanying notes are an integral part of these financial statements

ONTARIO LIBRARY ASSOCIATION

Statement of Restricted Fund Revenues and Expenses and Changes in Net Assets

Year ended August 31

	Internally Restricted					Total	Externally Restricted				Total	
	Research on Libraries Fund	Janette Baker Fund	Special Fund	Larry Moore Fund	OLA Mentoring Fund		Haycock Fund	K.H. SC Grant	CLA Funds held in Trust	Sarah Badgley Literacy Fund		
Revenues												
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,965	\$ 1,965	
Investment income	-	-	-	-	-	-	473	106	882	44	1,505	
	-	-	-	-	-	-	473	106	882	2,009	3,470	
Expenses												
Disbursements	-	-	-	-	-	-	1,075	-	-	2,000	3,075	
Excess of revenues over expenses for the year	-	-	-	-	-	-	(602)	106	882	9	395	
Net assets - at beginning of year	40,442	34,576	2,479	33,660	8,219	119,376	29,402	6,592	54,769	2,729	93,492	
Transfer from general fund	651	(4,443)	40	542	132	(3,078)	-	-	-	-	-	
Net assets - at end of year	\$ 41,093	\$ 30,133	\$ 2,519	\$ 34,202	\$ 8,351	\$ 116,298	\$ 28,800	\$ 6,698	\$ 55,651	\$ 2,738	\$ 93,887	
Eight-month period ended August 31, 2017												
Revenues												
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,625	\$ 1,625	
Investment income	-	-	-	-	-	-	509	110	916	52	1,587	
	-	-	-	-	-	-	509	110	916	1,677	3,212	
Expenses												
Disbursements	-	-	-	-	-	-	1,000	-	-	1,998	2,998	
Excess of revenues over expenses for the period	-	-	-	-	-	-	(491)	110	916	(321)	214	
Net assets - at beginning of period	39,765	38,914	2,215	33,097	8,082	122,073	29,893	6,482	53,853	3,050	93,278	
Transfer from general fund	677	(4,338)	264	563	137	(2,697)	-	-	-	-	-	
Net assets - at end of period	\$ 40,442	\$ 34,576	\$ 2,479	\$ 33,660	\$ 8,219	\$ 119,376	\$ 29,402	\$ 6,592	\$ 54,769	\$ 2,729	\$ 93,492	

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

See note 1 for a description of the restricted funds.

ONTARIO LIBRARY ASSOCIATION

Statement of Cash Flows

Year ended August 31	2018	Eight-month period ended 2017 (note 2)
	\$	\$
Cash flows from operating activities		
Excess of revenues over expenses for the year	83,690	141,175
Adjustments to determine net cash provided by (used in) operating activities		
Depreciation of capital assets	9,029	7,592
Amortization of intangible assets	6,249	4,807
Loss on disposal of intangible assets	-	59,639
	98,968	213,213
Change in non-cash working capital items		
(Increase) decrease in accounts receivable	(27,080)	231,122
(Increase) in prepaid expenses	(1,860)	(34,331)
(Increase) decrease in inventory	(21,365)	19,005
Increase (decrease) in accounts payable and accrued liabilities	54,477	(127,828)
Increase (decrease) in deferred revenue	95,189	(581,670)
	198,329	(280,489)
Cash flows from investing activities		
Increase in short term investments	(100,962)	(18,385)
Increase in long term investments	(4,099)	(2,474)
Increase in loan receivable	(899)	(899)
Purchase of intangible assets	(73,588)	-
	(179,548)	(21,758)
Cash flows from financing activities		
Repayment of capital lease obligation	(2,232)	-
Increase in restricted funds	395	214
	(1,837)	214
Net change in cash during the year	16,944	(302,033)
Cash, beginning of year	904,733	1,206,766
Cash, end of year	921,677	904,733

The accompanying notes are an integral part of these financial statements

ONTARIO LIBRARY ASSOCIATION

Notes to Financial Statements

August 31, 2018

Nature of operations

The Ontario Library Association's (the "Association" or "OLA") vision is to lead and inspire growth and innovation in the library and information services sector. OLA's mandate is to empower its members in the library and information services industry to build informed, participatory and inclusive communities through research, education, advocacy and partnerships.

The Association is a not-for-profit organization incorporated on April 29, 1969 as a corporation without share capital under the laws of the Province of Ontario. It is also a registered charitable organization under the Income Tax Act (the "Act") and, as such, is generally exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Association must meet certain requirements within the Act. These requirements of the Act have been met at August 31, 2018.

1. Significant accounting policies

These financial statements are prepared using Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Basis of accounting

The General Fund accounts for the day-to-day service delivery activities of the Association.

The Board of Directors of the Association has internally restricted net assets to be used for specific purposes. These funds are not available for operating purposes without approval of the Board of Directors. The details of internally restricted funds are as follows:

The Research on Libraries Fund (formerly the Margaret Scott Research Fund) is an internally restricted fund for research about and in support of the library sector.

The OLA Dr. Janette Baker Scholarship Fund is an internally restricted fund for scholarships awarded to individuals with previous work experience to attend recognized library and information science programs.

The Special Fund (currently dormant) is an internally restricted fund to support libraries that have suffered misfortune or disaster.

The Larry Moore Fund is an internally restricted fund that was established to honour the former Executive Director of the Association on his twentieth anniversary in the position. The purpose of the Larry Moore Fund is to operate the Larry Moore Challenge, an annual leadership competition to encourage and foster leadership in innovation in librarianship and libraries in Canada.

The OLA Mentoring Fund is an internally restricted fund that was established to honour the mentors who have made OLA members the professionals that they are and to fund mentoring projects in the library community.

ONTARIO LIBRARY ASSOCIATION

Notes to Financial Statements (continued)

August 31, 2018

1. Significant accounting policies (continued)

The Association has externally restricted net assets transferred from other organizations to be used for specific purposes, as set out in the transfer agreements between the organizations. These funds are not available for general operating purposes. The details of these restricted funds are as follows:

The Haycock Fund was transferred to the Association from the Canadian Library Association (the "CLA") on July 20, 2016. The purpose of the fund was to award candidates who have demonstrated exceptional success in enhancing the public recognition and appreciation of librarianship.

The Ken Haycock Super Conference Grant (K.H. SC Grant) Fund was transferred to the Association from the CLA on July 18, 2016. The purpose of the fund was to honour the founding members of the Canadian Association of School Librarians and provide a travel grant to support newly qualified teacher-librarians to attend the Super Conference.

The CLA Funds Held in Trust were transferred to the Association from the CLA on July 29, 2016 for the following awards and related special purpose funds:

(i) The Children's Book Award Fund - to honour the spirit of promoting and recognizing Canadian children's authors and illustrators by disbursing these funds as follows:

Allow any Canadian children's author or illustrator who have been nominated in the past three years for a children's book award program to apply to this fund to support a library or community organization visit in a small or rural community anywhere in Canada.

(ii) The Research and Continuing Education Fund - to support theoretical and applied research in the field of library and information services; encourage and support research undertaken by practitioners in the field of library and information services;

(iii) The Intellectual Freedom Fund - to provide financial assistance in cases involving intellectual freedom; and

(iv) The Scholarship Fund - to award a scholarship to all students entering a Masters program but also include students entering a library technician diploma program by submitting a resume, a letter of intent that includes reason for pursuing these studies, and proof of enrolment in the program.

The Sarah Badgley Literacy Fund was established by the Rural Learning Association (the "RLA") in 2002 to support children's literacy initiatives of rural public libraries and urban public libraries that serve rural clientele. The Association accepted stewardship of the fund on behalf of RLA.

ONTARIO LIBRARY ASSOCIATION

Notes to Financial Statements (continued)

August 31, 2018

1. Significant accounting policies (continued)

(b) Financial assets and liabilities

The Association initially measures its financial assets and liabilities at fair value. The Association subsequently measures all its financial assets and financial liabilities at amortized cost, except for equity investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations and changes in net assets - general fund. Fair values are determined by reference to published price quotations in active markets.

Financial assets and liabilities measured at amortized cost include cash, short term investments and long term investments, accounts receivable, loan receivable and accounts payable and accrued liabilities and capital lease obligation.

(c) Inventory

Publications and items held for resale are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Net realizable value is determined by reference to selling price less costs to sell.

(d) Capital assets

Capital assets are recorded at cost. Depreciation is provided on a declining balance basis over their estimated useful lives at the following annual rates:

Furniture and equipment	20% declining balance
Computer equipment	20% declining balance

Leasehold improvements are amortized on a straight line basis over the term of the lease.

The above rates are reviewed annually to assess ongoing appropriateness. Any changes are adjusted on a prospective basis. If there is an indication that the assets may be impaired, an impairment test is performed that compares carrying amount to net recoverable amount. There were no impairment indicators in 2018.

(e) Intangible assets

Intangible assets are recorded at cost and amortized over their estimated useful lives on a declining balance basis as follows:

Computer software	20% declining balance
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The above rate is reviewed annually to assess ongoing appropriateness. Any changes are adjusted on a prospective basis. If there is an indication that the assets may be impaired, an impairment test is performed that compares carrying amount to net recoverable amount. There were no impairment indicators in 2018.

ONTARIO LIBRARY ASSOCIATION

Notes to Financial Statements (continued)

August 31, 2018

1. Significant accounting policies (continued)

(f) Assets under capital lease

The Association leases equipment on terms which transfer substantially all of the benefits and risks of ownership to the Association. This lease is accounted for as a capital lease as though an asset has been purchased and a long-term liability incurred.

Assets under capital lease are recorded at cost. Depreciation is provided on a declining balance basis over the estimated useful lives at the following annual rates:

Asset under capital lease	20% declining balance
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The above rates are reviewed annually to assess ongoing appropriateness. Any changes are adjusted on a prospective basis. If there is an indication that the asset may be impaired, an impairment test is performed that compares carrying amount to net recoverable amount. There were no impairment indicators in 2018.

(g) Revenue recognition

Membership

Membership fees cover the twelve month period following the date of receipt and acceptance by the Association.

Activities - Conference and Continuing Education

Revenues and expenses from activities are recorded in the period in which the activity takes place. Revenues from attendance or enrolment to these activities received in the current year, applicable to the subsequent year are recorded as deferred revenue on the statement of financial position and will be accounted as income as the activities take place.

Publications

The Library Marketplace publications and merchandise revenue is recognized when the items are shipped.

Contributions and Grants

The Association follows the deferral method of accounting for contributions which include government grants and other contributions. Operating grants are recorded as revenue in the period in which the related expenses are incurred. Where a portion of grant relates to a future period, it is deferred and recognized in that subsequent period.

ONTARIO LIBRARY ASSOCIATION

Notes to Financial Statements (continued)

August 31, 2018

1. Significant accounting policies (continued)

Restricted contributions related to the externally restricted funds are recognized as revenues in the respective restricted funds in the period in which the related expenses are incurred. Where a portion of the restricted contribution relates to a future period, it is deferred and recognized in the respective restricted fund in a subsequent period as the external restrictions are met.

Investment Income

Investment income from the general fund is recognized as revenue when earned. Realized gains and losses are recognized when the transactions occur. Unrealized gains and losses which reflect the changes in fair value during the period are recognized at each reporting date and included in current period income.

Investment income from externally restricted funds is recognized as revenue in the respective restricted funds.

Other Income

All other sources of revenues are recognized when the event takes place, services are performed, or goods have been delivered.

(h) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the date of the statement of financial position. Revenues and expenses are translated from foreign currencies at the exchange rates prevailing on the transaction date. Any resulting gains or losses are included in income for the year.

(i) Contributed services

Volunteers contribute significant amounts of time to assist the Association in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed goods and services are not recognized in the financial statements.

(j) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported 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 year.

Key areas of estimation where management has made estimates relate to the useful lives of capital assets and intangible assets, and valuation of investments. Actual results could differ from these estimates, the impact of which would be recorded in future affected periods.

ONTARIO LIBRARY ASSOCIATION

Notes to Financial Statements (continued)

August 31, 2018

2. Change in fiscal year-end and comparative figures

The comparative figures presented are for the eight month period ended August 31, 2017.

In 2016, the Board of Directors approved changing the Association's fiscal year end from December 31 to August 31. The Association received consent for this change in fiscal year end from Canada Revenue Agency on March 7, 2016.

Certain of the comparative figures in the statement of operations and changes in net assets - general fund and the statement of restricted fund revenues and expenses and changes in net assets have been reclassified to conform with the financial statement presentation adopted for the current year.

3. Investments

Details of investments are as follows:

	2018		
	Face value (\$)	Amortized cost (\$)	Effective yield (%)
Short term			
Guaranteed investment certificates with maturity of less than 1 year	200,000	201,105	2.45
Mutual funds			
RBC Investment Savings	54,954	54,954	-
	254,954	256,059	
Long term			
Guaranteed investment certificates and government bonds with maturity over 1 year	218,042	237,137	2.70
	472,996	493,196	

ONTARIO LIBRARY ASSOCIATION

Notes to Financial Statements (continued)

August 31, 2018

3. Investments (continued)

	<u>2017</u>		
	<u>Face value (\$)</u>	<u>Amortized cost (\$)</u>	<u>Effective yield (%)</u>
Short term			
Guaranteed investment certificates with maturity of less than 1 year	100,000	100,707	1.40
Mutual funds			
RBC Investment Savings	54,390	54,390	-
	154,390	155,097	
Long term			
Guaranteed investment certificates and government bonds with maturity over 1 year	218,042	233,038	2.84
	<u>372,432</u>	<u>388,135</u>	

Investment Risk Management

Risk management relates to the understanding and active management of risks associated with all areas of the Association's activities and operations. Investments are primarily exposed to interest rate and other price risks. The Association has formal policies and procedures for investment transactions. Investments are made on the advice of an investment advisor.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income investments. The value of fixed income investments will generally rise if interest rates fall and decrease if interest rates rise.

Fluctuations in the interest rates do not have a significant impact on the Association's results of operations.

Other Price Risk

The Association is exposed to other price risk, which is the potential loss that the Association may incur with respect to the changes in the fair value of investments. The fair value of investments will fluctuate because of changes in market price whether those changes are caused by factors specific to the individual investments, or its issuers or factors affecting all investments traded in the market. The Association is exposed to other price risk on its investment in mutual funds.

4. Accounts receivable

As at August 31, 2018, the carrying amount of impaired receivables amounted to \$12,909 (\$15,014 - 2017). These accounts receivable are presented net of an allowance for doubtful accounts of the same amount.

ONTARIO LIBRARY ASSOCIATION

Notes to Financial Statements (continued)

August 31, 2018

5. Loan receivable

In 2014, the Association's Board of Directors approved a loan in the amount of \$50,000 to OurDigitalWorld Organization. On September 18, 2015, the Association's Board of Directors approved a forgiveness of \$34,500 of the loan balance which was included in programs and projects expense. The remaining balance of the loan is interest bearing at 8% per annum. The remaining balance of the loan as at August 31, 2018 is \$13,038 (\$12,139 - 2017).

6. Capital assets

Details of capital assets are as follows:

	2018		
	Cost	Accumulated Amortization	Net
	\$	\$	\$
Furniture and equipment	173,887	158,662	15,225
Computer equipment	269,234	259,532	9,702
Leasehold improvements	7,879	7,879	-
	<u>451,000</u>	<u>426,073</u>	<u>24,927</u>
	2017		
	Cost	Accumulated Amortization	Net
	\$	\$	\$
Furniture and equipment	173,887	154,856	19,031
Computer equipment	269,234	257,106	12,128
Leasehold improvements	7,879	7,353	526
	<u>451,000</u>	<u>419,315</u>	<u>31,685</u>

7. Intangible assets

Details of intangible assets are as follows:

	2018		
	Cost	Accumulated Amortization	Net
	\$	\$	\$
Computer software	<u>311,105</u>	<u>212,520</u>	<u>98,585</u>

ONTARIO LIBRARY ASSOCIATION

Notes to Financial Statements (continued)

August 31, 2018

7. Intangible assets (continued)

	<u>2017</u>		
	Cost	Accumulated Amortization	Net
	\$	\$	\$
Computer software	237,517	206,272	31,245

During the 2018 fiscal year, the Association entered into a contract with a supplier for the purchase of an Association Management System called Sales Force. The Association incurred costs of \$73,589 during the fiscal year. This amount represents work in progress and any additional costs will be reflected in the subsequent year. This amount has not been amortized since the software development was not completed at August 31, 2018.

8. Assets under capital lease

Details of assets under capital lease are as follows:

	<u>2018</u>		
	Cost	Accumulated Amortization	Net
	\$	\$	\$
Equipment under capital lease (telephone)	13,108	4,020	9,088

	<u>2017</u>		
	Cost	Accumulated Amortization	Net
	\$	\$	\$
Equipment under capital lease (telephone)	13,108	1,748	11,360

9. Capital lease obligation

Details of the capital lease obligation are as follows:

	<u>2018</u>	<u>2017</u>
	\$	\$
National Leasing, interest at 4.88%, payable in blended monthly instalments of \$215, maturing in February 2023 with an option to purchase for \$10 in February 2023	10,876	13,108
Less current portion	2,297	2,232
Long term portion	8,579	10,876

ONTARIO LIBRARY ASSOCIATION

Notes to Financial Statements (continued)

August 31, 2018

9. Capital lease obligation (continued)

Future minimum lease payments under the capital lease are as follows:

	\$
2019	2,580
2020	2,580
2021	2,580
2022	2,580
2023	<u>1,290</u>
Total future minimum lease payments	11,610
Less amount representing interest	<u>734</u>
Present value of minimum net lease payments	10,876
Less current portion	<u>2,297</u>
	<u><u>8,579</u></u>

10. Deferred revenue

Details of deferred revenue are as follows:

	2018 \$	2017 \$
Libstat revenue	45,294	22,873
OSLA and TALCO grant	-	18,000
Super Conference	69,245	8,912
Grant from Minister of Francophone Affairs	29,200	-
Other	<u>3,700</u>	<u>2,465</u>
	<u>147,439</u>	<u>52,250</u>

11. Programs and projects

Programs and projects include the Forest of Reading Program, Festival of Trees and other special projects.

12. Government grants

The OLA receives an annual operating grant in the amount of \$40,300, covering the period from April 1 following the end of the previous Funding Year and ending on the following March 31, from the Ministry of Tourism Culture and Sport to help continue delivering valuable programs and services to Ontario's public libraries and support Ontario Public library week.

ONTARIO LIBRARY ASSOCIATION

Notes to Financial Statements (continued)

August 31, 2018

13. Other income

Details of other income are as follows:

	2018	2017
	\$	\$
PSB rebate	89,399	50,509
Rental income	13,800	9,200
Sponsorship	6,000	6,000
Career centre	21,037	8,942
Other	26,420	24,097
	<u>156,656</u>	<u>98,748</u>

14. Lease commitments

The Association has commitments under operating leases for premises and equipment. The premise lease expires on July 31, 2023, with an option to renew for a further five year term. The equipment lease expires on March 31, 2021. The minimum annual payments under the leases are as follows:

		Premises	Equipment
		\$	\$
Fiscal year	2019	74,088	6,925
	2020	74,088	6,925
	2021	74,088	1,731
	2022	74,088	-
	2023	67,914	-
		<u>364,266</u>	<u>15,581</u>

In addition, the Association is responsible for its share of annual operating costs and realty taxes for its office premises, which for the twelve-month period ended August 31, 2018 was approximately \$84,900 (\$57,900 - for the eight-month period ended August 31, 2017).

Notes to Financial Statements (continued)

August 31, 2018

15. **Financial instrument risk management**

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the Association's risk exposure at the statement of financial position date.

(a) **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 Association's main credit risk relates to cash, and investment savings account, fixed income investments and accounts receivable. The Association reduces its exposure to the credit risk of cash and investment savings account by maintaining balances with a Canadian chartered bank and for fixed income investments by investing in high investment grade securities. The Association mitigates credit risk of accounts receivable by performing credit checks and imposing credit limits. Management has included adequate provision for doubtful accounts receivable as disclosed in note 4.

(b) **Liquidity risk**

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. The Association expects to meet these obligations as they come due by generating sufficient cash flows from operations.

(c) **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. The Association is not exposed to significant currency risk. Interest rate and other price risks are disclosed in note 3.

(d) **Changes in risk**

There have been no significant changes in the risk profile of the financial instruments of the Association from that of the prior fiscal period.

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