

**ACCESSIBLE HOUSING SOCIETY**

**Financial Statements**

**March 31, 2023**

**ACCESSIBLE HOUSING SOCIETY**  
**Index to Financial Statements**  
**For the Year Ended March 31, 2023**

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## INDEPENDENT AUDITOR'S REPORT

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To the Directors of Accessible Housing Society:

### Opinion

We have audited the financial statements of Accessible Housing Society (the "Society"), 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2023, 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with those 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.

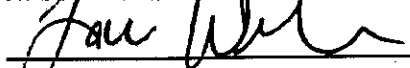
In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or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


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**ACCESSIBLE HOUSING SOCIETY**  
**Statement of Financial Position**  
**As at March 31**

|   | 2023                 | 2022                 |
|---|----------------------|----------------------|
| <b>Assets</b>   |                      |                      |
| <b>Current</b>  |                      |                      |
| Cash  | \$ 740,088           | \$ 724,780           |
| Restricted cash (Note 3)                                      | 313,545              | 268,923              |
| Short term investments (Note 4)                               | -                    | 1,240,973            |
| Accounts receivable   | 11,648               | 2,613                |
| Goods and services tax recoverable                            | 5,995                | 8,456                |
| Prepaid expenses  | 47,018               | 57,086               |
|   | <u>1,118,294</u>     | <u>2,302,831</u>     |
| Long term investments (Note 4)                                | 1,260,796            | -                    |
| Property and equipment (Note 5)                               | <u>13,471,642</u>    | <u>13,874,191</u>    |
|   | <u>\$ 15,850,732</u> | <u>\$ 16,177,022</u> |
| <b>Liabilities and Net assets</b>                             |                      |                      |
| <b>Current</b>  |                      |                      |
| Accounts payable and accrued liabilities (Notes 7, 10)        | \$ 275,506           | \$ 316,725           |
| Security deposits payable (Note 3)                            | 39,717               | 38,818               |
| Current portion of long term debt (Note 6)                    | 221,930              | 217,100              |
| Deferred contributions - operations (Note 7)                  | <u>207,582</u>       | <u>164,272</u>       |
|   | 744,735              | 736,915              |
| Long term debt (Note 6)                                       | 576,771              | 776,746              |
| Deferred contributions - property and equipment (Note 8)      | 10,176,783           | 10,441,911           |
| Deferred contributions - future property development (Note 9) | 143,664              | 90,094               |
| Lease inducement (Note 11)                                    | <u>100,582</u>       | <u>117,824</u>       |
|   | <u>11,742,535</u>    | <u>12,163,490</u>    |
| <b>Net Assets</b>   |                      |                      |
| Invested in property and equipment                            | 2,496,376            | 2,438,653            |
| Internally restricted (Note 12)                               | 1,415,973            | 1,415,973            |
| Unrestricted  | <u>195,848</u>       | <u>158,906</u>       |
|   | <u>4,108,197</u>     | <u>4,013,532</u>     |
|   | <u>\$ 15,850,732</u> | <u>\$ 16,177,022</u> |

On behalf of the Board

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

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

**ACCESSIBLE HOUSING SOCIETY**  
**Statement of Operations**  
**For the Year Ended March 31**

|  | 2023             | 2022              |
|--|------------------|-------------------|
| <b>Revenue</b>   |                  |                   |
| Alberta government funding   | \$ 2,522,226     | \$ 2,496,958      |
| Calgary Homeless Foundation  | 1,151,371        | 1,031,399         |
| Rental and service fees  | 719,128          | 691,869           |
| Recognition of deferred contributions related to property and equipment (Note 8) | 304,135          | 312,231           |
| United Way   | -                | 201,345           |
| Donations  | 185,855          | 174,366           |
| Other grants   | 121,843          | 76,172            |
| Interest income  | 25,434           | 9,847             |
| Fee for service  | 4,020            | 1,337             |
|  | <u>5,034,012</u> | <u>4,995,524</u>  |
| <b>Expenses</b>  |                  |                   |
| Salaries and benefits  | 3,068,129        | 2,955,205         |
| Amortization   | 448,140          | 453,259           |
| Resident programs  | 380,926          | 363,130           |
| Food services  | 214,954          | 172,980           |
| Telephone and utilities  | 170,901          | 184,795           |
| Facility and maintenance   | 148,426          | 120,452           |
| Professional fees  | 115,904          | 73,450            |
| Office rental  | 106,333          | 93,913            |
| Office and administrative  | 82,152           | 68,232            |
| Insurance  | 74,287           | 59,202            |
| Software and information technology  | 51,940           | 45,163            |
| Staff training and travel  | 41,328           | 37,223            |
| Interest on long term debt   | 29,612           | 79,273            |
| Fund development   | 13,242           | 10,621            |
|  | <u>4,946,274</u> | <u>4,716,898</u>  |
| <b>Excess of revenue over expenses from operations</b>                           | <u>87,738</u>    | <u>278,626</u>    |
| <b>Other income (expenses) related to COVID-19</b>                               |                  |                   |
| Grants and subsidies   | 35,932           | 112,492           |
| Wages  | (9,152)          | (16,108)          |
| Other costs  | (19,853)         | (95,495)          |
|  | <u>6,927</u>     | <u>889</u>        |
| <b>Excess of revenue over expenses</b>   | <u>\$ 94,665</u> | <u>\$ 279,515</u> |

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

**ACCESSIBLE HOUSING SOCIETY**  
**Statement of Changes in Net Assets**  
**For the Year Ended March 31**

|  | Invested in<br>property and<br>equipment | Internally<br>restricted<br>(Note 12) | Unrestricted      | 2023                | 2022                |
|--|--|---------------------------------------|-------------------|---------------------|---------------------|
| <b>Net assets - beginning<br/>of year</b>    | <b>\$ 2,438,653</b>                      | <b>\$ 1,415,973</b>                   | <b>\$ 158,906</b> | <b>\$ 4,013,532</b> | <b>\$ 3,734,017</b> |
| Excess of revenue<br>over expenses           | (144,005)                                | -                                     | 238,670           | 94,665              | 279,515             |
| Internally restricted<br>additions (Note 12) | -  | -                                     | -                 | -                   | -                   |
| Interfund transfers                          | 201,728                                  | -                                     | (201,728)         | -                   | -                   |
| <b>Net assets - end of year</b>              | <b>\$ 2,496,376</b>                      | <b>\$ 1,415,973</b>                   | <b>\$ 195,848</b> | <b>\$ 4,108,197</b> | <b>\$ 4,013,532</b> |

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

**ACCESSIBLE HOUSING SOCIETY**  
**Statement of Cash Flows**  
**For the Year Ended March 31**

|   | 2023              | 2022              |
|---|-------------------|-------------------|
| <b>Operating activities</b>   |                   |                   |
| Excess of revenue over expenses   | \$ 94,665         | \$ 279,515        |
| Items not affecting cash:   |                   |                   |
| Amortization of property and equipment  | 448,140           | 453,259           |
| Revenue recognized from deferred contributions related to property and equipment (Note 8) | (304,135)         | (312,231)         |
| Amortization of deferred lease incentives (Note 11)                                       | (17,242)          | (17,242)          |
|   | <u>221,428</u>    | <u>403,301</u>    |
| Changes in non-cash working capital:  |                   |                   |
| Accounts receivable   | (9,035)           | 22,285            |
| Goods and services tax recoverable  | 2,461             | (2,842)           |
| Prepaid expenses  | 10,068            | (35,330)          |
| Accounts payable and accrued liabilities  | (41,219)          | (17,293)          |
| Security deposits payable   | 899               | (383)             |
| Deferred contributions  | 43,310            | (181,537)         |
|   | <u>6,484</u>      | <u>(215,100)</u>  |
| Cash flows from operating activities  | <u>227,912</u>    | <u>188,201</u>    |
| <b>Investing activities</b>   |                   |                   |
| Purchase of property and equipment  | (45,591)          | (41,479)          |
| Redemption of investments   | 1,078,077         | 365,973           |
| Purchase of investments   | (1,097,900)       | (1,240,973)       |
| Decrease (increase) in restricted cash  | (44,622)          | 725,273           |
| Cash flows used by investing activities   | <u>(110,036)</u>  | <u>(191,206)</u>  |
| <b>Financing activities</b>   |                   |                   |
| Contribution received for future property and equipment (Note 9)                          | 92,576            | 131,300           |
| Repayment of debt   | (195,144)         | (1,098,399)       |
| Cash flows used by financing activities   | <u>(102,568)</u>  | <u>(967,099)</u>  |
| <b>Increase (decrease) in cash flows</b>  | <b>15,308</b>     | <b>(970,104)</b>  |
| Cash - beginning of year  | <u>724,780</u>    | <u>1,694,884</u>  |
| <b>Cash - end of year</b>   | <b>\$ 740,088</b> | <b>\$ 724,780</b> |

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

# ACCESSIBLE HOUSING SOCIETY

## Notes to Financial Statements

Year Ended March 31, 2023

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### 1. Purpose of organization

Accessible Housing Society (the "Society ") is a Calgary not-for-profit organization that opens doors for people to live in community with dignity through supportive living services. The Society's vision states that people with limited mobility are empowered to achieve their potential. The Society is incorporated under the Societies Act of Alberta as a not-for-profit organization. The Society is a registered charity, and thus is exempt from income tax under Section 149(1)(f) of the Income Tax Act.

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### 2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") in Part III of the CPA Canada Handbook, and in management's opinion, have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies below:

#### Revenue recognition

The Society follows the deferral method of accounting for contributions. 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. Restricted contributions are recognized in the year in which the related expenses are incurred.

Amounts externally restricted for capital purposes are recorded as deferred contributions for property and equipment when received or receivable and recognized as revenue each year in proportion to the annual amortization of the related assets for which the capital contributions were expended. Amounts which have not been designated for a specific capital project or which relate to capital costs in a future period are deferred and recognized as revenue when the expenses are incurred.

Rental revenue is recognized as revenue on an accrual basis when it is earned.

Interest is recognized as revenue on an accrual basis when it is earned.

Restricted investment income is recognized as revenue in the year which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

#### Cash

Cash consists of cash on hand and bank balances.

#### Restricted cash

The Society has received cash that is to be used for specific purposes and keeps this cash in separate bank accounts if there is a requirement from funders.

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**ACCESSIBLE HOUSING SOCIETY**  
**Notes to Financial Statements**  
**Year Ended March 31, 2023**

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**2. Summary of significant accounting policies (continued)**

Property and equipment

Property and equipment is recorded at cost. Contributed property and equipment are recorded at fair value at the date of contribution. Property and equipment is amortized over its estimated useful life at the following rates and methods:

| Building              | Remaining useful life years<br>with original useful life of 40<br>years | straight-line |
|-----------------------|---|---------------|
| Digital equipment     | 3 years   | straight-line |
| Equipment             | 5 years   | straight-line |
| Leasehold improvement | 10 years  | straight-line |
| Major equipment       | 10 years  | straight-line |

Property under development is not amortized until placed into use.

The Society capitalizes interest on construction projects when the interest expense is directly attributed to the construction activity and the project is developed over a significant amount of time.

When property or equipment no longer has any long-term service potential to the Society, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Any unamortized deferred contribution amount related to the asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

Financial instruments policy

The Society initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost. Financial liabilities measured at amortized cost are tested for impairment at each reporting date.

Investments consist of guaranteed investment certificates (GICs). Investments are carried at cost. Investments with maturity within one year have been classified as short-term investments.

Contributed materials and services

Donated materials are recorded at the estimated fair value, if the donated materials would otherwise have been purchased if not donated. If fair value cannot be reasonably estimated, such donations are not recorded.

The operations of the Society include the contribution of time by volunteers. The fair value of donated services cannot be reasonably determined and are not reflected in these financial statements.

Measurement uncertainty

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amount 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 period. By their nature, these estimates are subject to measurement uncertainty. Actual results could differ from and affect the results reported in these financial statements.

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**ACCESSIBLE HOUSING SOCIETY**  
**Notes to Financial Statements**  
**Year Ended March 31, 2023**

**3. Restricted cash**

The restricted cash is comprised of the following:

|                                       | <u>2023</u>       | <u>2022</u>       |
|---------------------------------------|-------------------|-------------------|
| Casino funds                          | \$ 118,651        | \$ 55,105         |
| Security deposits                     | 39,717            | 38,818            |
| Internally restricted funds (Note 12) | <u>155,177</u>    | <u>175,000</u>    |
|                                       | <u>\$ 313,545</u> | <u>\$ 268,923</u> |

Casino funds are subject to Alberta Gaming, Liquor and Cannabis restrictions.

Security deposits are received on behalf of residential tenants and kept separately in an interest-bearing trust account in accordance to the requirement of the Residential Tenancies Act of Alberta.

**4. Investments**

|  | <u>2023</u>         | <u>2022</u>         |
|--|---------------------|---------------------|
| Fixed non-redeemable twelve month GIC, bearing interest at 4.15% per annum, maturing April 1, 2024     | \$ 1,097,900        | \$ -                |
| Fixed non-redeemable GIC eighteen month GIC, bearing interest at 4.06%, maturing June 5, 2024          | 162,896             | -                   |
| Fixed non-redeemable eighteen month GIC, bearing interest at 0.20% per annum, matured December 1, 2022 | -                   | 162,896             |
| Fixed non-redeemable twelve month GIC, bearing interest at 1.85% per annum, matured March 30, 2023     | -                   | 1,078,077           |
|  | <u>\$ 1,260,796</u> | <u>\$ 1,240,973</u> |

The GICs are held in accordance to the internally restricted fund requirements to fund for specific purposes (Note 12).

**ACCESSIBLE HOUSING SOCIETY**  
**Notes to Financial Statements**  
**Year Ended March 31, 2023**

**5. Property and equipment**

|                        | Cost                 | Accumulated<br>amortization | 2023<br>Net book<br>value |
|------------------------|----------------------|-----------------------------|---------------------------|
| Land                   | \$ 1,440,000         | \$ -                        | \$ 1,440,000              |
| Building               | 13,528,771           | 1,690,149                   | 11,838,622                |
| Digital equipment      | 461,750              | 457,043                     | 4,707                     |
| Equipment              | 417,666              | 354,422                     | 63,244                    |
| Leasehold improvements | 126,989              | 50,796                      | 76,193                    |
| Major equipment        | 97,752               | 48,876                      | 48,876                    |
|                        | <b>\$ 16,072,928</b> | <b>\$ 2,601,286</b>         | <b>\$ 13,471,642</b>      |

|                        | Cost                 | Accumulated<br>amortization | 2022<br>Net book<br>value |
|------------------------|----------------------|-----------------------------|---------------------------|
| Land                   | \$ 1,440,000         | \$ -                        | \$ 1,440,000              |
| Building               | 13,522,339           | 1,351,326                   | 12,171,013                |
| Digital equipment      | 457,332              | 454,210                     | 3,122                     |
| Equipment              | 383,664              | 271,151                     | 112,513                   |
| Leasehold improvements | 126,989              | 38,097                      | 88,892                    |
| Major equipment        | 97,752               | 39,101                      | 58,651                    |
|                        | <b>\$ 16,028,076</b> | <b>\$ 2,153,885</b>         | <b>\$ 13,874,191</b>      |

**ACCESSIBLE HOUSING SOCIETY**  
**Notes to Financial Statements**  
**Year Ended March 31, 2023**

**6. Long term debt**

|   | <u>2023</u>       | <u>2022</u>       |
|---|-------------------|-------------------|
| Mortgage payable to First Calgary Financial, bearing interest at 4.06% per annum, payable in monthly instalments of \$20,863, due December 2023. Secured by land and building with a carrying value of \$13,278,622 (2022: \$13,611,013). | \$ 798,701        | \$ 993,846        |
| Current portion   | <u>(221,930)</u>  | <u>(217,100)</u>  |
|   | <u>\$ 576,771</u> | <u>\$ 776,746</u> |

Principal repayment terms are approximately:

|      |                   |
|------|-------------------|
| 2024 | \$ 221,930        |
| 2025 | 231,216           |
| 2026 | 240,859           |
| 2027 | <u>104,696</u>    |
|      | <u>\$ 798,701</u> |

**7. Deferred contributions related to operations**

Deferred contributions related to operations represent externally restricted amounts received that have not yet been spent.

|                                 | <u>2023</u>        | <u>2022</u>        |
|---------------------------------|--------------------|--------------------|
| Balance - beginning of the year | \$ 164,272         | \$ 345,809         |
| Contributions received          | 4,028,281          | 3,858,922          |
| Recognized as revenue           | <u>(3,984,971)</u> | <u>(4,040,459)</u> |
| Balance - end of the year       | <u>\$ 207,582</u>  | <u>\$ 164,272</u>  |

Surpluses in total of \$53,567 (2022: \$119,461) as disclosed in Note 10 from various programs that are required to be paid back to funders are included in accounts payable for the year end.

**8. Deferred contributions related to property and equipment**

|   | <u>2023</u>          | <u>2022</u>          |
|---|----------------------|----------------------|
| Balance - beginning of the year   | \$ 10,441,911        | \$ 10,605,544        |
| Transfer from deferred contributions related to future development (Note 9) | 22,443               | 148,598              |
| Contributions received  | 16,564               | -                    |
| Recognized as revenue   | <u>(304,135)</u>     | <u>(312,231)</u>     |
| Balance - end of the year   | <u>\$ 10,176,783</u> | <u>\$ 10,441,911</u> |

**ACCESSIBLE HOUSING SOCIETY**  
**Notes to Financial Statements**  
**Year Ended March 31, 2023**

**9. Deferred contributions related to future property development**

Deferred contributions related to future development represent contributions from Resolve capital campaign to support the land and building.

|   | <u>2023</u>       | <u>2022</u>      |
|---|-------------------|------------------|
| Balance - beginning of the year   | \$ 90,094         | \$ 107,392       |
| Contributions received  | 76,013            | 131,300          |
| Transfer to deferred contributions related to property and equipment (Note 8) | <u>(22,443)</u>   | <u>(148,598)</u> |
| Balance - end of the year   | <u>\$ 143,664</u> | <u>\$ 90,094</u> |

**10. Refundable surplus**

a) The annual Emergency/Short-Term/Long-Term Supportive Housing Initiative Conditional Grant Funding Agreement with the Minister of Community and Social Services defines any excess of funds received over approved operating expenditures as the unused portion of the grant. There is no deferred portion for the year ended March 31, 2023 (2022: \$nil). In accordance with the specific purpose funding agreement, the unused portion of Wage Top-Up Funding amounting to \$29,793 (2022 - \$nil) is reported as accounts payable and accrued liabilities (Note 7).

b) In accordance with the annual funding agreements with the Calgary Homeless Foundation, any unused surplus resulting from the excess of funds received over approved operating expenses is applied to the subsequent year. As at March 31, 2023, the refundable surplus from the Bridge to Home program of \$23,774 (2022: \$119,461) are reported as accounts payable and accrued liabilities (Note 7).

|                                       | <b>Bridge to Home</b> |                  |
|---------------------------------------|-----------------------|------------------|
| <u>Project Funding</u>                | <u>2023</u>           | <u>2022</u>      |
| <b>Funds received in current year</b> |                       |                  |
| Program Funding                       | \$ 1,174,040          | 1,150,080        |
|                                       | <u>1,174,040</u>      | <u>1,150,080</u> |
| <b>Expenses</b>                       |                       |                  |
| Staff costs                           | 720,961               | 622,597          |
| Client costs                          | 311,901               | 293,015          |
| Administration                        | 117,404               | 115,007          |
|                                       | <u>1,150,266</u>      | <u>1,030,619</u> |
| <b>Refundable surplus</b>             | <u>\$ 23,774</u>      | <u>119,461</u>   |

**ACCESSIBLE HOUSING SOCIETY**  
**Notes to Financial Statements**  
**Year Ended March 31, 2023**

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**11. Lease commitments**

On April 23, 2018, the Society signed a 10 year office lease agreement to extend and expand its original lease to January 2029. The landlord offered 9 months free rent from December 2018 to August 2019, and funded leasehold improvements of \$99,015, which was recorded in financial statements as lease inducements at the time when received. The lease inducements in total of \$100,582 at March 31, 2023 (2022: \$117,824) are recognized as a reduction of rent expense at \$17,242 per annum (2022: \$17,242), over the lease term.

Under the terms of the above agreement, future minimum lease payments are as follows:

|            |    |                |
|------------|----|----------------|
| 2024       | \$ | 64,124         |
| 2025       |    | 64,124         |
| 2026       |    | 64,124         |
| 2027       |    | 64,753         |
| 2028       |    | 67,896         |
| Thereafter |    | <u>56,580</u>  |
|            | \$ | <u>381,601</u> |

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**12. Internally restricted funds**

Internally restricted funds represent funds that have been designated by the Board of Directors as restricted funds for specific purposes in subsequent periods as described below. Internally restricted funds cannot be spent without board approval.

In previous years, the Board of Directors approved the set up of a contingency fund in case there are unanticipated significant shortfalls in revenue. An amount of \$700,000 (2022: \$700,000) was approved to be kept in the contingency fund in the current year.

The Board of Directors allocated \$175,000 (2022: \$175,000) from the operating surplus to the building reserve to be used in major repairs and maintenance related to the building based on reserve fund study.

|                  | <u>2023</u>         | <u>2022</u>         |
|------------------|---------------------|---------------------|
| Contingency fund | \$ 700,000          | \$ 700,000          |
| Building reserve | <u>715,973</u>      | <u>715,973</u>      |
|                  | <u>\$ 1,415,973</u> | <u>\$ 1,415,973</u> |

These funds are held in a bank account and invested as GICs as disclosed in Note 3 and Note 4.

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## **ACCESSIBLE HOUSING SOCIETY**

### **Notes to Financial Statements**

**Year Ended March 31, 2023**

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#### **13. Financial instruments**

The Society's financial instruments consist of cash, restricted cash, investments, accounts receivable, accounts payable and accrued liabilities, security deposits payable, and long term debt, all of which are reported at amortized cost.

##### **Credit risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. Credit risk exists in accounts receivable. The Society does not consider that it is exposed to undue credit risk. No allowance is provided for the receivables, as all amounts are considered collectible.

##### **Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in mortgage payable and accounts payable.

The Society's ability to continue to service debt and meet other obligations as they come due is dependent on the continued ability to generate earnings and cash flows.

##### **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. The Society is mainly exposed to interest risk.

##### **Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Society is exposed to interest rate risk primarily through its mortgage. The mortgage is paid based on fixed rate and contractual terms to its maturity date and management does not consider changes in fair value to be of a significant risk.

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