

K-W HABILITATION SERVICES

**FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023**

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MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING
MARCH 31, 2023

The accompanying financial statements and all other information contained in this annual report are the responsibility of the management of K-W Habilitation Services. Except as noted, the financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and have been approved by the Board of Directors.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of K-W Habilitation Services. Management maintains a system of internal accounting and administration controls which are designed to provide reasonable assurance that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial information. Such information also includes data based on management's best estimates and judgements. Management has determined that the enclosed financial statements are presented on a consistent basis with prior years.

The Finance Committee reviews and makes recommendations to the Board of Directors who review and approve the annual financial statements. In addition, the Finance Committee meets with management of K-W Habilitation Services and the external auditors, and reports to the Board of Directors thereon. The Finance Committee and Board of Directors also review the annual report in its entirety.

The accompanying financial statements have been audited by Graham Mathew Professional Corporation, the auditors of the Agency, who are engaged by the Board of Directors and whose appointment was ratified at the annual meeting of the Board of Directors. The auditors have access to the Finance Committee, without management present, to discuss the results of their work.



Corey Bechtel
President of the Board



Ann Bilodeau
Executive Director

INDEPENDENT AUDITORS' REPORT

To the Directors of
K-W Habilitation Services

Qualified Opinion

We have audited the accompanying financial statements of **K-W Habilitation Services** (the Agency), which comprise the statement of financial position as at March 31, 2023, and the statements of operations, fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

The Agency does not amortize capital assets which are acquired with Agency funds, and does not capitalize capital assets which are funded by government subsidies. Instead, capital assets are charged to operations in the period the subsidy is received. The Agency receives certain subsidies that are restricted in that the subsidy must be used to purchase capital assets. Since the Agency does not capitalize and amortize capital assets, it does not identify restricted contributions and defer the recognition of income on the same basis as amortization. All government subsidies are recognized as income in the year received. The effects on the financial statements of these departures from accounting standards for not-for-profit organizations have not been determined, as it is not practicable to do so.

In addition, in common with many charitable organizations, the Agency derives a portion of its revenue from fundraising and donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Agency and we were not able to determine whether any adjustments might be necessary to revenues, excess (deficiency) of revenue over expenditure, current assets and fund balances.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Agency 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 qualified 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 Agency'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 the Board of Directors either intends to liquidate the Agency or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 Agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Agency 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.



Cambridge, Ontario
May 30, 2023

Chartered Professional Accountants, authorized to practise public
accounting by the Chartered Professional Accountants of Ontario

**STATEMENT OF OPERATIONS - GENERAL AGENCY
YEAR ENDED MARCH 31, 2023**

	2023 Budget \$ (note 13) (Unaudited)	2023 Actual \$	2022 Actual \$
Revenue			
Grants			
MCSS: Operating	19,811,013	20,099,303	16,795,893
MCSS: Dedicated Supportive Housing	162,878	162,878	162,038
MCSS: Discretionary/Infrastructure	309,751		228,800
MCYS: Operating	1,332,702	1,487,245	608,199
Region of Waterloo	4,456,744	4,427,304	3,824,894
HRDC (Government of Canada)	42,311	33,657	87,043
Expenditure recovery	1,262,097	1,260,750	1,353,010
Residents' and participants' fees	1,487,992	1,492,661	1,371,581
	28,865,488	28,963,798	24,431,458
Operating expenses			
Staff costs	21,865,334	21,862,901	19,093,300
Purchased services and supplies	2,287,647	2,281,335	1,705,252
Dietary costs	603,068	599,471	539,715
Facilities costs	1,831,536	1,922,431	1,418,727
Replacements and new equipment	241,144	251,683	128,319
Allocated administration costs	1,834,349	1,841,716	1,353,874
Other	202,410	204,261	192,271
	28,865,488	28,963,798	24,431,458
Excess of revenue over expenditure before undernoted items	NIL	NIL	NIL
Other income (loss)			
Rental income	196,200	181,200	181,200
Other revenues (expenses)	120,000	228,711	(271,911)
Unrealized investment income (loss)	20,000	(11,422)	58,438
Capital asset impairment (note 5)			(20,170)
	336,200	398,489	(52,443)
Excess (deficiency) of revenue over expenditure for year	336,200	398,489	(52,443)

**STATEMENT OF OPERATIONS - AFFORDABLE HOUSING 108 SYDNEY STREET
YEAR ENDED MARCH 31, 2023**

	2023 Budget \$ (note 13) (Unaudited)	2023 Actual \$	2022 Actual \$
Revenue			
Affordable rent income from units	181,000	181,195	181,041
Other	5,665	5,663	9,482
	186,665	186,858	190,523
Operating expenses			
Interest and bank charges	1,245	1,241	845
Interest on long-term debt	45,940	45,907	48,617
Salaries and benefits	7,773	8,146	7,841
Utilities	37,625	38,405	34,727
Insurance	6,139	6,119	5,480
Repairs and maintenance	52,714	66,029	52,714
Purchased services and supplies	35,229	35,579	36,625
	186,665	201,426	186,849
Excess (deficiency) of revenue over expenditure for year	NIL	(14,568)	3,674

**STATEMENT OF FUND BALANCES
YEAR ENDED MARCH 31, 2023**

	Property and Equipment \$	Operating Fund \$	Contingency Fund \$	2023 \$	2022 \$
Fund balances, beginning of year	3,326,751	(2,050,798)	1,735,056	3,011,009	3,059,778
Principal repayments	139,145			139,145	129,117
Excess (deficiency) of revenue over expenditure for year - General Agency		398,489		398,489	(52,443)
Excess (deficiency) of revenue over expenditure for year - Affordable Housing					
108 Sydney Street		(14,568)		(14,568)	3,674
Transfers		(159,898)		(159,898)	(219,807)
Unrealized investment income (loss)			(11,422)	(11,422)	58,438
Income on contingency fund			32,175	32,175	32,252
Fund balances, end of year	3,465,896	(1,826,775)	1,755,809	3,394,930	3,011,009

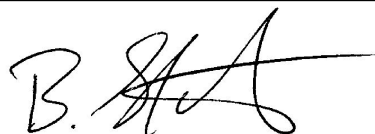
**FINANCIAL POSITION
MARCH 31, 2023**

	2023 \$	2022 \$
ASSETS		
Cash (note 9)	2,256,530	2,748,963
Cash - capital replacement reserve fund (note 12)	42,590	36,645
Accounts receivable	560,906	527,960
Prepaid expenses		103,646
Current assets	2,860,026	3,417,214
Affordable housing project development costs - 878 Frederick Street (note 19)	203,592	64,300
Contingency fund investments (note 8)	1,755,809	1,735,056
Capital assets (note 5 and 6)	6,078,586	6,078,586
	10,898,013	11,295,156
LIABILITIES		
Accounts payable and accrued liabilities (note 7)	1,173,846	1,518,758
Accrued salaries and benefits (note 7)	1,640,156	1,561,272
Subsidies payable - MCCSS (note 3)		309,751
Subsidies payable - Region of Waterloo (note 3)	163,668	351,181
Deferred revenue (note 17)	391,894	626,382
Funds held for Region of Waterloo (note 15)	927,379	577,463
Long-term debt (note 10)	135,583	136,962
Current liabilities	4,432,526	5,081,769
Capital replacement reserve fund (note 12)	42,590	36,645
Long-term debt (note 10)	3,027,967	3,165,733
	7,503,083	8,284,147
FUND BALANCES		
Fund balances (page 6)	3,394,930	3,011,009
	10,898,013	11,295,156

APPROVED BY THE BOARD



President



Treasurer

**STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2023**

	2023 \$	2022 \$
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenditure for year - General Agency	398,489	(52,443)
Excess (deficiency) of revenue over expenditure for year - Affordable Housing 108 Sydney Street	(14,568)	3,674
Capital asset impairment		20,170
Unrealized loss (gain) on contingency fund investments	11,422	(58,438)
	395,343	(87,037)
Net change in non-cash working capital balances relating to operations:		
Accounts receivable	(32,946)	186,591
Subsidies payable	(497,264)	114,073
Prepaid expenses	103,646	(103,646)
Deferred revenue	(234,488)	129,660
Accounts payable and accrued liabilities	(344,912)	565,391
Accrued salaries and benefits	78,884	112,653
	(531,737)	917,685
Cash flows from investment activities:		
Additions to contingency fund investment	(32,175)	(32,252)
Affordable housing project development costs	(139,292)	(16,497)
	(171,467)	(48,749)
Cash flows from financing activities:		
Repayment of long-term debt	(139,145)	(129,117)
Change in capital replacement reserve fund	5,945	6,007
Change in funds held for Region of Waterloo	349,916	(300,000)
	216,716	(423,110)
Net increase (decrease) in cash	(486,488)	445,826
Cash, beginning of year	2,785,608	2,339,782
Cash, end of year	2,299,120	2,785,608
Cash position includes:		
Cash	2,256,530	2,748,963
Cash - capital replacement reserve fund	42,590	36,645
	2,299,120	2,785,608

The explanatory financial notes form an integral part of these financial statements.

EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2023

1. Nature of the Organization

K-W Habilitation Services (the Agency) is incorporated as a non-share capital corporation under the laws of Ontario and is registered as a charitable organization with Canada Revenue Agency.

The Agency works together with the community to inspire abilities to enrich the lives of children, youth, adults and families.

As K-W Habilitation Services is a registered charity under the Income Tax Act, its income is not taxable and it is eligible to issue official income tax receipts for charitable donations.

2. Summary of Significant Accounting Policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Supplies

The Agency has adopted a policy of not recognizing supplies as an asset when the activities of the program are substantially or totally funded by government subsidies.

(b) Amortization of capital assets

The original cost of capital assets acquired with Agency funds are recorded as capital assets, while replacements and new capital assets, which are substantially or totally funded by government subsidies, are charged to operations. No amortization of capital assets is recorded in the accounts. This is not in accordance with Canadian accounting standards for not-for-profit organizations.

(c) Revenue recognition

The Agency follows the deferral method of accounting for contributions.

Donations received, which are expendable by the Agency, are reported as income in the Operating fund in the year in which they are received.

Donations received, which are not at the complete disposal of the Agency, are reported as an increase in the restricted fund (capital replacement reserve fund) balance. The funds are reported as income when they are used for specific purposes or when the restrictions on the funds are released.

Subsidies are recognized as income in the year they are earned.

Interest received on unrestricted funds is reported as income in the year it is earned.

Interest received on restricted funds (capital replacement reserve fund) is reported as an increase in the restricted fund balances.

Rental income is recognized on an accrual basis.

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2023**

2. Summary of Significant Accounting Policies (Continued)

(d) Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the 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. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

(e) Financial instruments

Investments are shown on the statement of financial position at their fair values at the year-end date, with changes in fair value recognized in the statement of operations. All other financial assets and liabilities are recorded at amortized cost less any discovered impairment.

(f) Contributed services and materials

Donations of materials and services are not reflected in these financial statements because of the impracticality of the record keeping and valuation of them.

(g) Deferred revenue

Deferred revenue consists of funding received for expenditures to be incurred and services to be provided in subsequent fiscal years.

(h) Fund accounting

To ensure observation of restrictions placed on the use of resources available to the Agency, the accounts are maintained in accordance with the principles of fund accounting. The resources are classified for accounting and reporting purposes into the following funds which have been established according to their nature and purpose:

The **Operating fund**, accounts for the Agency's program delivery and administrative activities.

The **Property and Equipment fund**, reports the assets and liabilities related to the capitalized capital assets acquired by the Agency.

The **Contingency fund**, is an internally restricted fund intended to provide operating flexibility in the event of reduced operating revenues, or for possible investments in growing the Agency's organizational capability, and is not available for unrestricted purposes without approval of the Board of Directors. These funds are held in a separate bank account and/or investments.

(i) Inter-fund transfers

Inter-fund transfers represent principal repayments funded by the Operating Fund on behalf of the Property and Equipment Fund, and realized and unrealized income (loss) on contingency fund investments funded by the Operating Fund on behalf of the Contingency Fund.

EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2023

3. Subsidies Receivable/Payable

The Agency qualifies for subsidies for its programs from the Ministry of Children, Community and Social Services (MCCSS), Human Resources and Skills Development Canada (HRDC) and the Region of Waterloo. The subsidies receivable/payable is the difference between the amounts advanced to the Agency and the subsidies earned.

4. Capital Asset Additions Included in Expenditures

Capital asset additions funded by grants or subsidies provided by third parties totalling approximately \$98,600 (\$441,900 in 2022) have been included in expenditures shown on the Statement of Operations - General Agency.

	2023	2022
	\$	\$
5. Capital Assets		
Cost		
David Fisher Residence, Erbsville		
Property	268,168	268,168
Major renovation	484,305	484,305
Ministry funding - major renovation	(484,305)	(484,305)
Equipment and furnishings	51,514	51,514
	319,682	319,682
University Avenue, Waterloo		
Property	275,938	275,938
Equipment and furnishings	46,593	46,593
	322,531	322,531
Frederick Street and Wordsworth Homes, Kitchener		
Property	571,816	571,816
Equipment and furnishings	8,456	8,456
	580,272	580,272
Stirling Avenue Group Home		
Property	285,000	285,000
Equipment and furnishings	5,581	5,581
Ministry funding	(284,999)	(284,999)
	5,582	5,582
Eby Street Group Home		
Property	105,043	105,043
Equipment and furnishings	2,850	2,850
	107,893	107,893
Avalon Street Group Home		
Property	521,651	521,651
Equipment and furnishings	7,960	7,960
Ministry funding	(521,602)	(521,602)
	8,009	8,009

**EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2023**

	2023 \$	2022 \$
5. Capital Assets (Continued)		
Cost		
Pinnacle Drive Group Home		
Property	548,456	548,456
Ministry funding	(548,413)	(548,413)
Equipment and furnishings	8,033	8,033
	8,076	8,076
Lexington Group Home		
Property	350,000	350,000
Ministry funding	(350,000)	(350,000)
	NIL	NIL
Ottawa Street		
Property	6,030,849	6,030,849
Equipment and furnishings	1,828	1,828
Ministry funding	(3,711,000)	(3,711,000)
Designated contributions received	(1,048,813)	(1,048,813)
	1,272,864	1,272,864
Affordable Housing 108 Sydney Street		
Property	5,056,389	5,056,389
Equipment and furnishings	21,332	21,332
Ministry funding (note 6)	(2,850,000)	(2,850,000)
Designated contributions received	(5,892)	(5,892)
	2,221,829	2,221,829
710 Frederick Street		
Affordable Housing Property	125,423	125,423
Leasehold improvements	108,677	108,677
Equipment and furnishings	4,610	4,610
Designated contributions received	(33,706)	(33,706)
	205,004	205,004
Vehicles	28,706	28,706
Capitalized costs of Assured Housing Program	998,138	998,138
Net Book Value	6,078,586	6,078,586

During the 2022 fiscal year there was an impairment charge of \$20,170 recorded to write-down the vehicles to their net realizable value.

EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2023

6. Forgivable Loan

The Agency received funds of \$1,971,000 in fiscal 2018 and \$879,000 in fiscal 2019 from The Region of Waterloo for the 108 Sydney Street Affordable Housing project. These funds are subject to the terms and conditions stipulated by the related agreement. If the Agency continues to be in compliance until 2043, the principal amount and all unpaid interest shall be forgiven at that time.

The principal amounts referred to above have been included as Ministry funding included in the cost breakdown of this capital asset.

	2023	2022
	\$	\$
7. Accounts Payable and Accrued Liabilities		
Accounts payable and accrued liabilities	1,173,846	1,518,758
Accrued salaries and benefits	1,634,080	1,358,194
Government remittances payable	6,076	203,078
	2,814,002	3,080,030

8. Contingency Fund Investments

The contingency fund investments, stated at fair market value, are comprised of the following:

Cash	100,378	195,202
Bonds	591,535	486,712
Equities	1,063,896	1,053,142
	1,755,809	1,735,056

The bonds have maturity dates ranging between May 2023 and November 2027 and bear interest at rates ranging from 1.20% to 5.01%.

9. Cash

The Agency has an operating loan available to a maximum of \$1,500,000. At year end, there were no balances drawn on this facility.

The Agency has a seed contribution loan available to a maximum of \$32,000 to be used for eligible activities pertaining to new construction related to the Affordable Housing project at 878 Frederick Street. At year end, there were no balances drawn on this facility. The loan is interest free provided that it is repaid by the maturity date specified in the loan agreement to be the earlier of the date when the project obtains financing and August 12, 2023.

EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2023

10. Long-Term Debt	2023	2022
	\$	\$
Mortgage - Canada Mortgage and Housing Corporation Registered against Assured Housing Program properties. The mortgage bears interest at 0.68% and is payable in monthly instalments of \$4,202 including interest and principal. The mortgage matures in February 2024.	46,090	95,988
Mortgage - Canada Mortgage and Housing Corporation Registered on the Frederick Street and Wordsworth Place Group Home properties. The mortgage bears interest at 1.72% and is payable in monthly instalments of \$2,210 including interest and principal. The mortgage renews in March 2025.	165,215	188,452
Mortgage - Canada Mortgage and Housing Corporation Registered on the 108 Sydney Street Affordable Housing property. The mortgage bears interest at 2.36% and is payable in monthly instalments of \$5,882 including interest and principal commencing July 2021. Prior to this date payments are interest only. The mortgage renews in June 2028.	2,034,221	2,058,895
Term Loan - RBC Royal Bank Secured by real property. The loan bears interest at 3.61% and is payable in monthly instalments of \$6,275 including interest and principal. The loan matures in February 2025.	918,024	959,360
	3,163,550	3,302,695
Current portion due within one year	135,583	136,962
	3,027,967	3,165,733

Principal payments over the next five years and thereafter will be approximately as follows:

	\$
2024	135,583
2025	1,039,797
2026	23,853
2027	24,422
2028 and thereafter	1,939,895
	3,163,550

EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2023

11. Economic Dependence

The Agency receives annual subsidies from the Government of Ontario and The Region of Waterloo to assist with offsetting the amount of costs incurred by the Agency. The Agency is dependent on receiving these annual subsidies to fund its operations.

12. Capital Replacement Reserve Fund

The Ministry of Children, Community and Social Services has identified that certain amounts provided for within its Dedicated Supportive Housing operating budget were specific to a capital replacement reserve fund. The capital reserve funding is to be reflected in its own capital reserve fund and only spent after receiving Ministry approval.

The approved sources and uses of these funds is summarized as follows:

	2023	2022
	\$	\$
Balance, beginning of year	36,645	30,638
Capital funding	5,945	5,945
Interest income		62
	42,590	36,645
Represented by:		
Cash	42,590	36,645

13. Budget

The budget figures presented for comparison purposes are unaudited and reflect the Ministry fiscal approved revenues and expenditures. Budgeted figures have been classified to conform with the financial statement presentation.

14. Commitments

The Agency leases various properties and vehicles with these costs being subsidized by government grants. As a result, there are no commitments that must be funded directly by the Agency.

EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2023

15. Funds Held for Region of Waterloo

Pursuant to an agreement, the Agency holds funds in custody on behalf of Region of Waterloo.

16. Service Contract/CFSA Approval with the Ministry of Children, Community and Social Services

K-W Habilitation Services has a Service Contract/CFSA Approval with the Ministry of Children, Community and Social Services. A reconciliation report summarizes by service (detail code) all revenues and expenditures and identifies any resulting surplus or deficit that relates to the Service Contract/CFSA approval. Any surplus amounts are reflected in accounts payable and accrued liabilities, and any deficit amounts are reflected in the General Fund expenditures.

17. Deferred Revenue

The components of deferred revenue are summarized as follows:

108 Sydney Street Affordable Housing Replacement Reserve	76,234	58,392
Professional Development	28,302	20,000
Our Farm Project	28,151	28,151
Other	259,207	519,839
	391,894	626,382

18. Capital Management

The Agency's investment policy is directed toward the preservation and security of capital. Investments are undertaken in a manner that seeks to ensure the preservation of capital within the overall investment portfolio. The investments are held and managed by CIBC Wood Gundy.

19. Affordable Housing Project Development Costs

During fiscal 2019, the Agency's Board approved pursuing the development of Affordable Housing buildings at 878 Frederick Street and 710 Frederick Street in Kitchener. The costs incurred to pursue these Affordable Housing projects have been accumulated in the Affordable Housing Development Cost accounts shown on the Statement of Financial Position. The building at 710 Frederick Street in Kitchener was substantially completed during 2020 and added to the Agency's capital assets.

EXPLANATORY FINANCIAL NOTES
YEAR ENDED MARCH 31, 2023

20. Cumulative Surplus Balance - Affordable Housing 108 Sydney Street

	2023	2022
	\$	\$
Cumulative surplus, beginning of year	49,347	45,673
Current year surplus (deficit)	(14,568)	3,674
Cumulative surplus, end of year	34,779	49,347

This note is presented to summarize the cumulative surplus for the Affordable Housing 108 Sydney Street operations, since it commenced operating in fiscal 2019.

21. Financial Instrument Risk Management

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

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Agency is exposed to this risk mainly in respect of its amounts payable and accrued liabilities and its long-term debt.

Credit risk

The Agency's exposure to credit risk is indicated by the carrying value amounts of its financial assets. The Agency may be exposed to losses in the future if the carrying amounts of assets are not realized. The Agency is satisfied that the risk of realization has been appropriately provided for.

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 Agency is mainly exposed to interest rate risk and other price risk.

Interest rate risk

The Agency is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the Agency to a fair value risk while the floating-rate instruments subject it to a cash flow risk. The Agency is exposed to this type of risk as a result of its investment holdings described in note 8 and its long-term debt.

Other price risk

The Agency is exposed to other price risk on its investments in equities. The Agency mitigates the risk by regularly rebalancing its portfolio and investing in the Canadian financial sector.