

**ALBERTA CONSERVATION ASSOCIATION**  
**Consolidated Financial Statements**  
**Year Ended March 31, 2016**

**ALBERTA CONSERVATION ASSOCIATION**  
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**Year Ended March 31, 2016**

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KINGSTON  
ROSS  
PASNAK LLP

Suite 1500, 9888 Jasper Avenue  
Edmonton, Alberta T5J 5C6  
T. 780.424.3000 | F. 780.429.4817 | W. krpgroup.com

June 11, 2016

## INDEPENDENT AUDITOR'S REPORT

Edmonton, Alberta

To the Members of Alberta Conservation Association

We have audited the accompanying consolidated financial statements of Alberta Conservation Association, which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statements of operations, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### *Basis for Qualified Opinion*

In common with many not-for-profit organizations, Alberta Conservation Association derives some of its revenue from partner contributions and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amount recorded in the records of the Association and we were not able to determine whether any adjustments might be necessary to partner contributions, excess of revenue over expenses, current assets, deferred contributions and net assets.

### *Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Alberta Conservation Association as at March 31, 2016 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

**Kingston Ross Pasnak LLP**  
Chartered Professional Accountants

**ALBERTA CONSERVATION ASSOCIATION**  
**Consolidated Statement of Operations**  
**Year Ended March 31, 2016**

	2016	2015
<b>REVENUE</b>		
Levy, fees and assessments	\$ 14,225,606	\$ 12,000,276
Partner contributions	1,479,313	1,228,626
Miscellaneous (Note 3)	319,630	110,179
Investment income	233,653	660,937
Donations	28,047	105,056
Film sales	663	-
	<b>16,286,912</b>	<b>14,105,074</b>
<b>EXPENDITURES</b>		
Salaries and benefits	7,008,883	6,275,491
Contracted services	2,287,960	1,523,775
Grants	1,712,844	1,545,874
Materials and supplies	1,458,451	858,368
Travel	449,231	317,991
Rentals	388,326	370,716
Repairs and maintenance	315,145	179,780
Amortization	289,729	323,048
Office	250,440	208,617
Advertising	230,954	242,213
Fuel and lubricants	172,206	185,131
Landowner agreements	157,741	161,738
Telephone and communications	136,565	123,921
Insurance	123,647	135,851
Freight and postage	115,343	68,405
Interest on loans	75,705	108,042
Training and membership	49,397	42,840
Utilities	45,721	56,533
Fees, licenses and permits	38,622	35,430
Bank charges and interest	37,381	42,718
Hosting and conferences	13,593	14,130
Bad debts	-	252
	<b>15,357,884</b>	<b>12,820,864</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES FROM OPERATIONS</b>	<b>929,028</b>	<b>1,284,210</b>
<b>OTHER REVENUES (EXPENDITURES)</b>		
Gain (loss) on sale of investments	139,722	(107,563)
(Loss) gain on disposal of property and equipment	(4,015)	40,171
Unrealized loss on investments	(433,281)	(29,512)
Write-off of aeration equipment (Note 4)	(442,532)	-
	<b>(740,106)</b>	<b>(96,904)</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>\$ 188,922</b>	<b>\$ 1,187,306</b>



**ALBERTA CONSERVATION ASSOCIATION**  
**Consolidated Statement of Changes in Net Assets**  
**Year Ended March 31, 2016**

	Invested in Property and Equipment	Internally Restricted	Unrestricted	2016	2015
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 24,899,975	\$ 147,333	\$ 272,720	\$ 25,320,028	\$ 21,788,209
Excess of revenue over expenditures	(293,744)	-	482,666	188,922	1,187,306
Transfers (Note 13)	-	200,000	(200,000)	-	-
Fund expenditures (Note 13)	-	(153,150)	153,150	-	-
Proceeds on disposal of property and equipment	(453,488)	-	453,488	-	-
Purchase of property and equipment	1,108,054	-	(1,108,054)	-	-
Donations and grants restricted for land purchases	1,253,483	-	-	1,253,483	2,344,513
<b>NET ASSETS - END OF YEAR</b>	\$ 26,514,280	\$ 194,183	\$ 53,970	\$ 26,762,433	\$ 25,320,028

**ALBERTA CONSERVATION ASSOCIATION**  
**Consolidated Statement of Financial Position**  
**March 31, 2016**

	2016	2015
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 270,705	\$ 602,143
Short term investments (Note 5)	237,502	156,069
Accounts receivable	475,039	350,363
Inventory	8,204	10,584
Goods and Services Tax recoverable	68,013	67,539
Prepaid expenses	114,069	76,488
	<b>1,173,532</b>	<b>1,263,186</b>
LONG TERM INVESTMENTS (Note 5)	6,516,728	6,107,697
PROPERTY AND EQUIPMENT (Note 6)	24,964,703	23,350,398
FILM COLLECTION (Note 7)	3,023,870	3,023,870
	<b>\$ 35,678,833</b>	<b>\$ 33,745,151</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Bank indebtedness (Note 8)	\$ 330,000	\$ 325,000
Accounts payable and accrued liabilities	2,074,475	1,678,350
Deferred contributions (Note 9)	2,761,994	2,183,592
Deposits	35,638	28,791
Term loans (Note 10)	2,240,000	2,735,097
	<b>7,442,107</b>	<b>6,950,830</b>
PROJECT CONTRIBUTIONS (Note 11)	1,474,293	1,474,293
	<b>8,916,400</b>	<b>8,425,123</b>
COMMITMENTS (Note 12)		
<b>NET ASSETS</b>		
Invested in property and equipment	26,514,280	24,899,975
Internally restricted (Note 13)	194,183	147,333
Unrestricted	53,970	272,720
	<b>26,762,433</b>	<b>25,320,028</b>
	<b>\$ 35,678,833</b>	<b>\$ 33,745,151</b>

ON BEHALF OF THE BOARD

 \_\_\_\_\_ Director  
 \_\_\_\_\_ Director

**ALBERTA CONSERVATION ASSOCIATION**  
**Consolidated Statement of Cash Flow**  
**Year Ended March 31, 2016**

	2016	2015
<b>OPERATING ACTIVITIES</b>		
Cash receipts	\$ 15,928,109	\$ 13,910,887
Cash paid to suppliers	(7,448,799)	(5,944,714)
Cash paid to employees	(7,008,883)	(6,275,491)
Investment income received	233,653	660,937
Interest paid	(113,086)	(150,760)
<b>Cash flow from operating activities</b>	<b>1,590,994</b>	<b>2,200,859</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(1,108,054)	(457,009)
Proceeds on disposal of property and equipment	453,489	53,374
Purchase of long-term investments	(696,337)	(2,387,784)
<b>Cash flow used by investing activities</b>	<b>(1,350,902)</b>	<b>(2,791,419)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from line of credit financing	5,000	325,000
Proceeds from term loans financing	-	2,800,000
Repayment of lines of credit	-	(2,239,995)
Repayment of demand loan	-	(1,301,744)
Repayment of term loans	(495,097)	(64,903)
<b>Cash flow used by financing activities</b>	<b>(490,097)</b>	<b>(481,642)</b>
	<b>(250,005)</b>	<b>(1,072,202)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>758,212</b>	<b>1,830,414</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 508,207</b>	<b>\$ 758,212</b>
<b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>		
Cash	\$ 270,705	\$ 602,143
Short term investments	237,502	156,069
	<b>\$ 508,207</b>	<b>\$ 758,212</b>

**ALBERTA CONSERVATION ASSOCIATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2016**

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1. PURPOSE OF THE ASSOCIATION

Alberta Conservation Association (the "Association") is incorporated under the Alberta Societies Act as a not-for-profit organization. Effective February 3, 1997, the Association was registered as a charitable organization under Section 149(1)(f) of The Income Tax Act (Canada). Its mission is to work together with Albertans to conserve, protect and enhance the province's natural resources. The Association is a non-profit organization and as such, is exempt from payment of income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Significant accounting policies observed in the preparation of the consolidated financial statements are summarized below.

Basis of consolidation

The consolidated financial statements include the accounts of the Association and its fully-owned subsidiary company, Karvonen Films Ltd., the company holding the film collection. The results of operations of the subsidiary is included in the consolidated financial statements from the date of incorporation.

Financial instruments

All financial instruments are initially measured at fair value, and, unless otherwise noted, the Association subsequently measures its financial instruments at amortized cost.

Revenue recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions from member organizations and donors are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of land are recorded as direct increases in net assets invested in property and equipment when received. Unrestricted contributions from member organizations and donors, fee and assessment revenues, investment revenues, miscellaneous revenue and film sales are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Donations and creative sentencing revenues are recognized when received.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit plus highly liquid short term investments, less cheques issued and outstanding. Highly liquid short term investments consist of mutual funds and treasury bills with maturities at the date of purchase of less than ninety days. On occasion, the operating line of credit is drawn upon to meet short-term cash needs.

Inventory

Inventory is measured at the lower of cost or net realizable value with the cost being determined on a first-in, first-out basis. The amount of inventory expensed during the year was \$2,380 (2015 - \$2,524).

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**ALBERTA CONSERVATION ASSOCIATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2016**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment

Property and equipment is stated at cost or deemed cost less accumulated amortization. Property and equipment is amortized over its estimated useful life at the following rates and methods:

Building	4%	diminishing balance method
Automotive	30%	diminishing balance method
Computer hardware	33%	diminishing balance method
Other equipment	20%	diminishing balance method
Trailers	20%	diminishing balance method
Office equipment	20%	diminishing balance method
Boats	20%	diminishing balance method
Communication equipment	33%	diminishing balance method
Leasehold improvements	six years	straight-line method
Computer software	100%	diminishing balance method

Long-term investments

Long-term investments are recorded at market value. The Association's long-term investments consist of government and corporate bonds and domestic and foreign equities and trust units. The portfolio is held primarily for trading purposes. The portfolio is managed by a third party investment manager and is subject to an investment policy set by the Board with the main objectives of growth and preservation of capital. Transaction costs are recognized immediately in the consolidated statement of operations.

Film collection

The film collection is comprised of films and videos of material held for educational and research purposes that has been preserved through a digitization process. The cost of the film collection acquired in the business combination is its fair value as at the date of acquisition. The collection has an indefinite life and is not subject to amortization. Any proceeds on the sale of collection items would be used to acquire additional items for the collection or for the direct care of the collection.

Measurement uncertainty

The preparation of financial statements in conformity with accounting standards for not-for-profit organizations 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. Such estimates include providing for amortization of property and equipment, accounts receivable valuation, and the valuation of the film collection. These estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

**ALBERTA CONSERVATION ASSOCIATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2016**

3. MISCELLANEOUS

Miscellaneous revenue includes advertising revenue, event ticket and raffle sales, hay and surface lease revenue, leased premise income, accounting services to member groups as well as administration fees for predator compensation program. The current increase from prior year is comprised of leased space being occupied, conference fees collected for the Western Association of Fish and Wildlife Agencies Conference and expansion of events generating higher ticket and raffle sales.

4. WRITE-OFF OF AERATION EQUIPMENT

As a result of a significant liability issue identified by the Association's legal counsel (Section 263 of the Federal Criminal Code) with respect to our surface aeration program, the Association trialed a new aeration system in hopes of aerating lakes during winter, without creating the liability associated with the hole in ice that was created using the previous surface aeration system. As part of this process the Association purchased docks and subsurface diffusers that were used during the winter of 2015/16. This new system did not perform as well as had been hoped and has been deemed inappropriate for future winter aeration application. Fortunately, through discussion with Alberta Environment and Parks, the Association's liability concerns with respect to the use of the surface aeration system have been resolved and the Association will be returning to the previous surface aeration system in the winter of 2016/17.

5. INVESTMENTS

	2016	2015
<b>Short Term Investments</b>		
Cash held in investment account	\$ 11,166	\$ 21,944
Mutual funds	226,336	134,125
	<b>\$ 237,502</b>	<b>\$ 156,069</b>
<b>Long Term Investments</b>		
Canadian Fixed Income (Bissett Bond Fund)	\$ 2,073,409	\$ 2,351,821
Canadian equities	2,962,810	2,435,637
International equities	790,153	664,904
US equities	690,356	655,335
	<b>\$ 6,516,728</b>	<b>\$ 6,107,697</b>

Bonds have varying maturities between April 1, 2016 and July 16, 2040 and bear interest at various rates between 0.47% and 8.29%.

Included in the investment balance is \$1,432,836 (2015 - \$901,471) in funds set aside to manage Association properties.

**ALBERTA CONSERVATION ASSOCIATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2016**

6. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Land	\$ 22,740,392	\$ -	\$ 22,740,392	\$ 21,272,418
Building	1,679,350	499,706	1,179,644	1,228,796
Automotive	1,506,163	1,122,789	383,374	269,479
Computer hardware	647,032	373,768	273,264	171,868
Other equipment	684,954	516,977	167,977	204,237
Trailers	320,356	195,936	124,420	85,366
Office equipment	216,890	169,725	47,165	56,695
Boats	219,633	186,286	33,347	41,684
Communication equipment	157,696	149,985	7,711	10,251
Leasehold improvements	784,821	777,412	7,409	9,604
Computer software	568,263	568,263	-	-
	<b>\$ 29,525,550</b>	<b>\$ 4,560,847</b>	<b>\$ 24,964,703</b>	<b>\$ 23,350,398</b>

7. FILM COLLECTION

Included in film collection as at March 31, 2016 is \$2,974,949, which represents the price paid in excess of 100% of the shares of Karvonen Films Ltd. acquired. In addition, the Association has digitized the collection resulting in additional costs incurred in the 2013 fiscal year of \$48,921.

8. BANK INDEBTEDNESS

At March 31, 2016 the Association had available a TD Bank demand operating credit facility with an authorized limit of \$1,500,000. The facility is due on demand and bears interest at an annual rate of bank prime (2.7%). As collateral for the credit facility, the Association has provided a General Security Agreement representing a first charge on all of the borrower's assets and undertakings. As at the end of the year, the Association had drawn \$330,000 (2015 - \$325,000) on the available credit facility.

9. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent resources from external sources such as government, not-for-profit organizations and industry that were restricted by the contributor for carrying out specific conservation projects in the current year. These funds have been carried forward to spend on future similar projects, at the discretion of the contributor.

	2016	2015
Deferred contributions, beginning of year	\$ 2,183,592	\$ 2,662,305
Add: contributions received	1,581,534	687,373
Less: amounts recognized as revenue	(1,003,132)	(1,166,086)
Deferred contributions, end of year	<b>\$ 2,761,994</b>	<b>\$ 2,183,592</b>

**ALBERTA CONSERVATION ASSOCIATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2016**

10. TERM LOANS

	2016	2015
Term loan bearing annual interest of bank prime, repayable in monthly principal payments of \$10,000 plus interest and maturing on November 14, 2016. The loan is secured by a General Security Agreement, as referred to in Note 8.	\$ 2,240,000	\$ 2,360,000
Term loan repaid in the year.	-	375,097
	<b>\$ 2,240,000</b>	<b>\$ 2,735,097</b>

11. PROJECT CONTRIBUTIONS

The Association's fully-owned subsidiary has received contributions from third parties in order to fund the film collection. Repayment of these contributions are subject to revenue generated by the collection.

The Association has no intention to generate income from the film collection and does not foresee any obligation to repay these balances. If any of the third parties do not intend to recuperate on the contributed balances, the forgiven amount will be recognized as a reduction in the cost of the film collection.

**ALBERTA CONSERVATION ASSOCIATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2016**

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12. COMMITMENTS

(a) The Association is committed to various leases for its office premises. The total lease obligations as at year end are as follows:

2017	\$152,817
2018	122,108
2019	51,818

(b) The Association owns office space in Sherwood Park Alberta and is committed to paying annual fees in the amount of \$56,771 associated with this office. There is an expectation that similar annual fees will be paid as long as the office space is being utilized.

(c) The Association is committed to two leases for vehicles. The total lease obligations as at year end are as follows:

2017	\$14,325
2018	12,428
2019	8,640
2020	8,640

(d) The Association is committed to various leases for office equipment. The total lease obligations as at year end are as follows:

2017	\$8,606
2018	6,907
2019	5,630
2020	4,223

13. INTERNALLY RESTRICTED FUNDS

	2016	2015
Habitat Securement Fund	\$ 194,183	\$ 147,333

The Habitat Securement Fund is intended to provide a source of capital to further the Alberta Conservation Habitat Securement Strategic Plan and to provide capital for the purchase of land to preserve and develop habitat. On a yearly basis \$200,000 is transferred into this Fund from operational revenue. Any unallocated funds at year-end are left within the Fund. Expenditures in the Fund for fiscal 2015-16 were \$153,150 (2015 - \$60,010).

**ALBERTA CONSERVATION ASSOCIATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2016**

14. RELATED PARTY TRANSACTIONS

The following member organizations are entitled to appoint one representative to the Board of Directors the Association:

Alberta Fish and Game Association  
 Alberta Hunter Education Instructor's Association  
 Alberta Professional Outfitters Society  
 Alberta Environment and Parks  
 Alberta Trappers Association  
 Nature Alberta  
 Pheasants Forever Alberta Council  
 Treaty 8 First Nations of Alberta  
 Trout Unlimited Canada

The Minister of Alberta Environment and Parks continues to appoint a director, and these ten directors elect six public at large directors. The Association acts as an intermediary for the disbursement of funds for several conservation initiatives on behalf of The Minister of Alberta Environment and Parks.

The following is a summary of the contributions made during the year by the Association to organizations which are related to board members to carry out projects approved by the Board of Directors. These transactions are in the normal course of business and are measured at the exchange amount.

	2016	2015
University of Alberta	\$ 479,207	\$ 496,466
Alberta Hunter Education Instructor's Association	234,418	152,343
Alberta Fish and Game Association	102,575	69,675
Nature Alberta	85,194	60,288
Trout Unlimited Canada	77,505	50,540
Alberta Trappers Association	11,250	24,783
Pheasants Forever Alberta Council	8,575	5,700
APOS	2,299	8,300

Included in accounts payable and accrued liabilities at year-end are the following amounts payable to member organizations:

	2016	2015
University of Alberta	\$ 80,590	\$ 68,550
Nature Alberta	28,272	-
Alberta Fish and Game Association	25,140	21,450
Trout Unlimited Canada	14,603	5,830
Alberta Hunter Education Instructors' Association	7,230	28,892

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**ALBERTA CONSERVATION ASSOCIATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2016**

14. RELATED PARTY TRANSACTIONS *(continued)*

The following is a summary of other transactions conducted with non-member related party:

Compass Media Inc. <i>(controlled by member of the board of directors)</i>			
Contracted services	\$	-	\$ 52,500

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

15. REMUNERATION OF DIRECTORS

The following amounts were paid to directors during the year:

Mr. Pat Long	\$	3,250
Mr. Robert Gruszecki		2,630
Mr. Randy Collins		2,190
Mr. Tom Bateman		2,170
Mr. Adam Norris		2,110
Mr. Alfred Calverley		1,885
Mr. Ken Ambrock		1,760
Mr. Brian Bildson		1,690
Dr. Mark Boyce		1,400
Mr. Jaarno Van Der Wielen		1,275
Dr. Lee Foote		1,130
Mr. Vince Aiello		885
Dr. Brian Joubert		840
Mr. Chris Fowler		770
Mr. Chad Lenz		595
Ms. Sandra Foss		500
Mr. Greg Shyba		420
Mr. Rob Duncan		420
Mr. Leonard Hansen		260
	\$	26,180

16. PRESIDENT AND CEO COMPENSATION

Total gross compensation for the President and CEO during fiscal 2016 was \$302,664, which includes base salary, benefits and allowances.

**ALBERTA CONSERVATION ASSOCIATION**  
**Notes to Consolidated Financial Statements**  
**Year Ended March 31, 2016**

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17. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments. The following analysis provides information about the Association's risk exposure and concentration as of March 31, 2016. Unless otherwise noted, the Association's risk exposure has not changed from the prior year.

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 rate risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the Association's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Association is exposed to foreign currency exchange risk on cash, accounts receivable, and accounts payable held in U.S. dollars. The Association does not use derivative instruments to reduce its exposure to foreign currency 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 market interest rates. In seeking to minimize the risks from interest rate fluctuations, the Association manages exposure through its normal operating and financing activities. The Association is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting its financial obligations as they become due. Cash flow from operations provides a substantial portion of the Association's cash requirements, and additional requirements are met with the use of the available credit facilities.