

# Community Living Essex County

## Financial Statements

For the year ended March 31, 2016

### Contents

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Independent Auditor's Report	2 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Operations and Changes in General Fund Balances	5
Statement of Operations and Changes in Capital Fund Balances	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 17



Tel: 519 776 6488  
Fax: 519 776 6090  
www.bdo.ca

BDO Canada LLP  
180 Talbot Street S  
Essex ON N8M 1B6 Canada

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## Independent Auditor's Report

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### To the Board of Directors of Community Living Essex County

We have audited the accompanying financial statements of Community Living Essex County, which comprise the Statement of Financial Position as at March 31, 2016, and the Statement of Operations and Changes in General and Capital Fund Balances and Statement of 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 of 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 judgement, 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 entity'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 accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the 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 charitable organizations, the Association derives revenues from donations and fund raising programs, the completeness of which are not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Association. We were unable to determine whether any adjustments might be necessary to donations and fund raising revenues, deficiency of revenue over expenditures, assets and fund balances.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2016, 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.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Essex, Ontario  
June 08, 2016

# Community Living Essex County

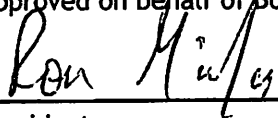
## Statement of Financial Position


March 31	2016			2015
<b>Assets</b>				
	General Fund	Capital Fund	Total	Total
<b>Current</b>				
Cash and bank (Note 2 and 12)	\$3,007,215	\$ 2,860,189	\$ 5,867,404	\$ 8,344,998
Grants receivable	4,218	293,100	297,318	4,218
Accounts receivable	518,330	-	518,330	516,047
Prepaid expenses	95,021	-	95,021	78,248
Interfund receivable	-	121,505	121,505	1,776,425
	3,624,784	3,274,794	6,899,578	10,719,936
Capital assets (Note 3)	-	16,797,077	16,797,077	16,225,471
	<b>\$3,624,784</b>	<b>\$20,071,871</b>	<b>\$23,696,655</b>	<b>\$ 26,945,407</b>

### Liabilities and Fund Balances

<b>Current</b>				
Accounts payable and accruals (Note 6)	\$2,674,863	\$ -	\$ 2,674,863	\$ 5,906,549
Deferred contributions (Note 7)	837,785	-	837,785	430,250
Current portion of long-term debt (Note 5)	-	162,431	162,431	132,481
Interfund payable	121,505	-	121,505	1,776,425
	3,634,153	162,431	3,796,584	8,245,705
Long-term debt (Note 5 and 12)	-	2,747,232	2,747,232	2,504,673
	<b>3,634,153</b>	<b>2,909,663</b>	<b>6,543,816</b>	<b>10,750,378</b>
<b>Commitments (Note 9)</b>				
<b>Fund balances</b>				
Invested in capital assets	-	13,884,316	13,884,316	13,588,316
Externally restricted (Note 8)	-	67,059	67,059	62,759
Internally restricted (Note 8)	-	3,210,833	3,210,833	2,551,981
Unrestricted	(9,369)	-	(9,369)	(8,027)
	(9,369)	17,162,208	17,152,839	16,195,029
	<b>\$3,624,784</b>	<b>\$20,071,871</b>	<b>\$23,696,655</b>	<b>\$ 26,945,407</b>

Approved on behalf of Board of Directors:

  
 \_\_\_\_\_  
 President

  
 \_\_\_\_\_  
 Treasurer

## Community Living Essex County

### Statement of Operations and Changes in General Fund Balances

March 31	2016	2015
<b>Revenue</b>		
Provincial subsidies (Note 10)	\$ 25,810,937	\$ 24,318,037
Fees for services	4,525,236	3,964,893
Donations and fund raising	205,956	283,305
Other grants	175,677	103,633
Tax rebates and sundry	136,072	221,464
Investment income	39,907	43,045
Federal subsidies	32,181	28,977
	<b>30,925,966</b>	<b>28,963,354</b>
<b>Expenditures</b>		
Salaries	21,857,167	21,723,498
Staff benefits	3,060,331	2,859,161
Purchased services	1,871,586	1,896,393
Pension expense (Note 11)	1,010,186	756,284
Food	721,129	690,090
Repairs and maintenance	583,046	971,350
Supplies	406,512	475,182
Vehicle operation	366,554	428,067
Utilities and taxes	353,655	332,855
Staff travel and training	331,911	211,795
Insurance	136,687	166,151
Rent premises and other	126,808	143,696
Advertising and fundraising expenses	79,936	59,340
Personal needs	11,798	15,089
Bank charges and other	10,002	11,058
	<b>30,927,308</b>	<b>30,740,009</b>
<b>Deficiency of revenue over expenditures</b>	<b>(1,342)</b>	<b>(1,776,655)</b>
<b>Fund transfer from capital fund (Note 8)</b>	<b>-</b>	<b>1,776,425</b>
<b>Fund balance, beginning of year</b>	<b>(8,027)</b>	<b>(7,797)</b>
<b>Fund balance, end of year</b>	<b>\$ (9,369)</b>	<b>\$ (8,027)</b>

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## Community Living Essex County

### Statement of Operations and Changes in Capital Fund Balances

March 31	2016	2015
<b>Revenue</b>		
Provincial subsidies (Note 10)	\$ 1,854,410	\$ 1,272,307
Investment income	86,241	68,525
Capital grants	10,000	-
	<u>1,950,651</u>	<u>1,340,832</u>
<b>Expenditures</b>		
Amortization	893,947	820,736
Interest on long-term debt	97,555	83,492
	<u>991,502</u>	<u>904,228</u>
<b>Excess of revenue over expenditures</b>	959,149	436,604
<b>Fund transfer to general fund (Note 8)</b>	-	(1,776,425)
<b>Fund balance, beginning of year</b>	<u>16,203,059</u>	<u>17,542,880</u>
<b>Fund balance, end of year</b>	<u>\$ 17,162,208</u>	<u>\$ 16,203,059</u>

# Community Living Essex County

## Statement of Cash Flows

For the year ended March 31	2016		2015	
	General Fund	Capital Fund	General Fund	Capital Fund
<b>Cash flows from operating activities</b>				
Excess (deficiency) of revenue over expenditures	\$ (1,342)	\$ 959,149	\$ (1,776,655)	\$ 436,604
Add non-cash items:				
Amortization	-	893,947	-	820,736
Interfund transfers	-	-	(1,776,425)	1,776,425
	<u>(1,342)</u>	<u>1,853,096</u>	<u>(3,553,080)</u>	<u>3,033,765</u>
<b>Changes in non-cash working capital balances</b>				
Grants receivable	-	(293,100)	2,785	-
Accounts receivable	(2,283)	-	391,368	-
Prepaid expenses	(16,773)	-	(66,049)	-
Interfund receivable	-	(1,897,931)	-	(894,301)
Accounts payable and accruals	(3,231,686)	-	3,335,235	-
Deferred contributions	407,535	-	39,687	-
Interfund payable	1,897,931	-	894,301	-
	<u>(945,276)</u>	<u>(2,191,031)</u>	<u>4,597,327</u>	<u>(894,301)</u>
	<u>(946,618)</u>	<u>(337,935)</u>	<u>1,044,247</u>	<u>2,139,464</u>
<b>Cash flows from financing and investing activities</b>				
Mortgage principal repayments	-	(137,736)	-	(113,801)
Mortgage principal advanced	-	425,000	-	462,000
Purchase of capital assets	-	(1,465,553)	-	(732,550)
Long-term debt repayments	-	(14,752)	-	(5,647)
Long-term debt advances	-	-	-	39,363
	<u>-</u>	<u>(1,193,041)</u>	<u>-</u>	<u>(350,635)</u>
<b>Net increase (decrease) in cash and bank during the year</b>	<u>(946,618)</u>	<u>(1,530,976)</u>	<u>1,044,247</u>	<u>1,788,829</u>
Cash and bank, beginning of year	<u>3,953,833</u>	<u>4,391,165</u>	<u>2,909,586</u>	<u>2,602,336</u>
<b>Cash and bank, end of year</b>	<u>\$ 3,007,215</u>	<u>\$ 2,860,189</u>	<u>\$ 3,953,833</u>	<u>\$ 4,391,165</u>

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# Community Living Essex County

## Notes to Financial Statements

March 31, 2016

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### 1. Significant accounting policies

**Nature of business** Community Living Essex County is a social service organization providing support to individuals with an intellectual disability and their families who reside in Essex County. It is incorporated under the Corporations Act of Ontario as a not-for-profit organization and is a registered charity under the Income Tax Act.

**Basis of accounting** These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

**Capital assets** Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided over the assets' estimated useful lives on a straight line basis as follows:

Buildings	40 years
Equipment	10 years
Leaseholds	5 years
Vehicles	7 years
Computer hardware	4 years
Computer software	3 years

Amortization expense is reported in the Capital Fund.

**Fund accounting** The Association follows the restricted fund method of accounting for contributions.

The General Fund accounts for the organization's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the organization's capital assets. The Capital Fund is comprised of the net amount invested in capital assets, amounts internally restricted by the Board of Directors for property maintenance and capital asset purchases, and an amount externally restricted by the Ministry of Community and Social Services for capital items at two specific locations.



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# Community Living Essex County

## Notes to Financial Statements

March 31, 2016

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### 1. Significant accounting policies (continued)

**Revenue recognition** Restricted contributions related to general operations, including provincial subsidies, fees for services and capital grants, are recognized as revenue of the General or Capital Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund. Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income earned on capital fund resources is recognized as revenue of the Capital Fund. Other investment income is recognized as revenue of the General Fund when earned.

**Pension plan** The Association maintains a defined contribution pension plan for qualified personnel that are non-unionized employees. Expense for this plan is equal to the company's required contribution for the year.

The Association is a participating employer in a multi-employer pension plan for qualified personnel that are unionized employees. Expense for this plan is equal to the company's required contribution for the year.

**Financial instruments** Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, all investments have been designated to be in the fair value category, with gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

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# Community Living Essex County

## Notes to Financial Statements

March 31, 2016

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### 1. Significant accounting policies (continued)

<b>Administrative expenses</b>	Administrative expenses are segregated and allocated to the various programs primarily on the basis of negotiated budgets.
<b>Contributed services</b>	Several hundred volunteers contribute to assist Community Living Essex County in carrying out its service activities. The value of this contribution is not reflected on the financial statements.
<b>Use of estimates</b>	The preparation of financial statements in accordance 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

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### 2. Cash and bank

Included in cash and bank are the following:

	<u>2016</u>	<u>2015</u>
Cash - General fund	\$ 2,147,381	\$ 3,603,896
Cash - Externally restricted fund	58,760	33,607
Cash - Trustee	<u>801,074</u>	<u>316,330</u>
	<u>\$ 3,007,215</u>	<u>\$ 3,953,833</u>
Cash - Capital fund	<u>\$ 2,860,189</u>	<u>\$ 4,391,165</u>

Cash included in the externally restricted fund are lottery and bingo accounts. The use of these funds is externally restricted by regulatory bodies. Cash in the Trustee account are monies held in trust for people supported by the organization. At year end, the trustee account owes the general fund account \$214,366. This was repaid subsequent to the year end. The Capital fund is used to purchased assets for the association.

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# Community Living Essex County

## Notes to Financial Statements

March 31, 2016

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### 3. Capital assets

	Cost	Accumulated Amortization	2016 Net Book Value	2015 Net Book Value
Land	\$ 2,785,229	\$ -	\$ 2,785,229	\$ 2,784,513
Building	16,018,555	3,906,665	12,111,890	11,600,191
Equipment	1,890,217	1,239,671	650,546	680,199
Leaseholds	32,483	32,483	-	-
Vehicles	2,437,381	1,331,291	1,106,090	933,228
Computer hardware	743,627	619,886	123,741	217,823
Computer software	269,885	250,304	19,581	9,517
	<u>\$ 24,177,377</u>	<u>\$ 7,380,300</u>	<u>\$ 16,797,077</u>	<u>\$ 16,225,471</u>

Included in the above are the final capital costs for the following projects originally funded by the Ministry of Municipal Affairs and Housing:

	2016	2015
Property, 48 Heritage, Kingsville	\$ 519,653	\$ 519,653
Property, 647/649 Centre St., Belle River	516,195	516,195
	<u>\$ 1,035,848</u>	<u>\$ 1,035,848</u>

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### 4. Security for bank line of credit

Libro Credit Union has a general security agreement and an assignment of business insurance to cover any overdraft in the operating accounts up to a maximum of \$250,000 (2015 - \$250,000). The full amount of the overdraft coverage was available at the year end date. The line of credit bears interest at prime plus 1.00%.

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## Community Living Essex County

### Notes to Financial Statements

March 31, 2016

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#### 5. Long-term debt

	<u>2016</u>	<u>2015</u>
Mortgage payable - Libro Credit Union (Libro) 2.89% first mortgage, repayable in monthly instalments of \$3,100, including principal and interest due October 2, 2020. The mortgage is secured by the land and buildings at 1312 Deer Run Trail, Belle River. The carrying value is \$597,843.	\$ 412,210	\$ -
Mortgage payable - Libro 3.69% first mortgage, repayable in monthly instalments of \$2,331 including principal and interest due October 31, 2018. The mortgage is secured by land and building at County Road 18, Essex. The carrying value is \$660,520.	373,204	387,199
Mortgage payable - Libro 3.48% first mortgage, repayable in monthly instalments of \$2,311, including principal and interest due June 27, 2018. The mortgage was secured by land and building at 5400 Lakeshore Road 305, Lakeshore. The carrying value is \$915,393.	359,937	374,916
Mortgage payable - Libro 2.99% first mortgage, repayable in monthly instalments of \$1,660 including principal and interest due June 9, 2019. The mortgage is secured by land and building at 280 Golfview, Amherstburg. The carrying value is \$455,990.	279,322	291,652
Mortgage payable - Industrial Alliance 2.882% first mortgage, repayable in monthly instalments of \$2,046 including principal and interest due September 1, 2018. The mortgage is secured by land and building at 647/649 Centre Street, Belle River. The carrying value is \$444,845.	257,157	273,586
Mortgage payable - Scotiabank 2.164% first mortgage, repayable in monthly instalments of \$1,974 including principal and interest due November 1, 2019. The mortgage is secured by the land and buildings at 48 Heritage Rd., Kingsville. The carrying value is \$480,643.	191,075	209,406

# Community Living Essex County

## Notes to Financial Statements

March 31, 2016

5. Long-term debt (continued)	2016	2015
<p>Mortgage payable - Libro            3.79% first mortgage, repayable in monthly instalments of \$1,071 including principal and interest due March 12, 2017. The mortgage is secured by land and building at 795 North Talbot Rd., Kingsville. The carrying value is \$392,346.</p>	\$ 185,893	\$ 192,663
<p>Mortgage payable - Libro            3.49% first mortgage, repayable in monthly instalments of \$965 including principal and interest due March 31, 2017. The mortgage is secured by the land and buildings at 372 Talbot St., Essex. The carrying value is \$911,731.</p>	154,893	160,973
<p>Mortgage payable -Libro            3.00% first mortgage, repayable in monthly instalments of \$897 including principal and interest due December 12, 2019. The mortgage is secured by land and building at Wride Avenue, Kingsville. The carrying value is \$585,943.</p>	153,943	160,496
<p>Mortgage payable - Libro            2.89% first mortgage, repayable in monthly instalments of \$699 including principal and interest due February 17, 2021. The mortgage is secured by land and building at 1693 Maplewood, Belle River. The carrying value is \$201,380.</p>	105,577	111,150
<p>Mortgage payable - Libro            2.84% first mortgage, repayable in monthly instalments of \$654 including principal and interest due March 30, 2021. The mortgage is secured by land and building at 39 McBride, Amherstburg. The carrying value is \$348,390.</p>	88,699	92,936
<p>Mortgage payable - Libro            4.19% first mortgage, repayable in monthly instalments of \$738 including principal and interest due June 23, 2016. The mortgage is secured by land and building at 85 Gosfield Townline Rd E., Essex. The carrying value is \$257,967.</p>	73,396	79,613

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# Community Living Essex County

## Notes to Financial Statements

March 31, 2016

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### 5. Long-term debt (continued)

	<u>2016</u>	<u>2015</u>
Mortgage payable - Libro 3.39% first mortgage, repayable in monthly instalments of \$567 including principal and interest due August 10, 2018. The mortgage is secured by land and building at 1950 Suzanne St., LaSalle. The carrying value is \$140,425.	\$ 73,032	\$ 74,880
Mortgage payable - Libro 3.69% first mortgage, repayable in monthly instalments of \$491 including principal and interest due December 4, 2018. The mortgage is secured by land and building at 286 St. Jude St., Belle River. The carrying value is \$210,576.	63,304	70,151
Mortgage payable - Libro 3.48% first mortgage, repayable in monthly instalments of \$397 including principal and interest due May 30, 2017. The mortgage is secured by land and building at 920 Mersea Road, Leamington. The carrying value is \$85,225.	59,009	61,683
Mortgage payable - Libro 3.49% first mortgage, repayable in monthly instalments of \$662 including principal and interest due April 1, 2017. The mortgage is secured by land and building at 335 Forest Hill, Amherstburg. The carrying value is \$253,528.	55,428	57,511
Car loan - Ford Credit Canada Limited 0.0% financing agreement, repayable in monthly instalments of \$656 including principal and interest due March 20, 2019.	23,584	38,339
	<u>2,909,663</u>	<u>2,637,154</u>
Less: current portion of long-term debt	<u>162,431</u>	<u>132,481</u>
	<u>\$ 2,747,232</u>	<u>\$ 2,504,673</u>

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# Community Living Essex County

## Notes to Financial Statements

March 31, 2016

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### 5. Long-term debt (continued)

The principal payments due within the next five years and thereafter are as follows assuming refinancing under similar terms for all mortgages held by Libro Credit Union:

2017	\$ 162,431
2018	167,607
2019	379,823
2020	151,677
2021	156,588
Thereafter	<u>1,891,537</u>
	<u>\$ 2,909,663</u>

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### 6. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are net government remittances payable of \$261,639 (2015 - \$339,900).

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### 7. Deferred contributions

	<u>2016</u>	<u>2015</u>
Individual's accounts - in trust	\$ 586,708	\$ 320,116
Other revenues and donations received in advance	<u>251,077</u>	<u>110,134</u>
	<u>\$ 837,785</u>	<u>\$ 430,250</u>

Deferred contributions represent restricted operating funding received in the current period that relates to the subsequent period.

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## Community Living Essex County

### Notes to Financial Statements

March 31, 2016

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#### 8. Restrictions on fund balances

	<u>2016</u>	<u>2015</u>
Restricted by Ministry of Community and Social Services for replacement of capital items at 48 Heritage Road, Kingsville and 647/649 Centre St., Belle River	\$ 67,059	\$ 62,759
Internally restricted for property maintenance	1,107,003	997,923
Internally restricted for capital asset purchases	2,076,253	1,532,396
Internally restricted for renewable energy initiative	27,577	21,662
	<u>3,210,833</u>	<u>2,551,981</u>
	<u>\$ 3,277,892</u>	<u>\$ 2,614,740</u>

The organization resolved to temporarily transfer \$1,776,425 from the capital fund to the general fund during the prior year to cover a deficit due to the pay equity accrual.

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#### 9. Commitments

Two property leases exist with expiration dates in 2017 and 2018. Leases convert to a month-to-month basis at the end of the lease term. Two office equipment leases exist with expiration dates in 2017. Future minimum lease payments are as follows:

	Property	Office equipment
2017	\$ 57,893	\$ 8,647
2018	37,052	8,647
2019	24,780	721
2020	18,585	-
	<u>\$ 138,310</u>	<u>\$ 18,015</u>

Property and office equipment expenses are included in rent premises and other expenditures.

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#### 10. Economic dependence

As is customary in the industry, approximately 84% (2015 - 85%) of revenue reported in the year relates to contracts ultimately with the Ministry of Community and Social Services.

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# Community Living Essex County

## Notes to Financial Statements

March 31, 2016

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### 11. Pension expense

The Association contributes to two pension plans on behalf of its employees.

The Association contributes to a defined contribution pension plan for the non-unionized employees. The total contributions to this plan during the year totaled \$176,263 (2015 - \$123,326).

Effective January 1, 2006, the Association became a participating employer in a multi-employer pension plan for qualified personnel that are unionized employees. The Association entered into an agreement with the Canadian Union of Public Employees and its Local 3137 whereby the Association is required to contribute to the multi-employer pension plan an amount equal to 4.5% (3.5% prior to September 27, 2009) of applicable wages for eligible unionized employees. Under the agreement, the pension plan trustees and the union agree and acknowledge that the Association has no obligation to provide, pay for, or contribute to the cost of the benefits established by the pension plan beyond the obligation to make contributions pursuant to the Collective Agreement and that the Association assumes no liability whatsoever with respect to the pension plan save and except to make contributions in accordance with the Collective Agreement. The total contributions to this plan during the year totaled \$833,924 (2015 - \$633,128).

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### 12. Fair value of financial instruments and credit risk

#### Liquidity risk

Liquidity risk is the risk that the organization encounters difficulty in meeting its obligations with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial asset.

This risk is reduced due to considerable amount of cash available for use. Trade accounts payable and accrued liabilities are generally repaid within 30 days.

The organization manages its liquidity risk by constantly monitoring forecasted and actual cash flows and financial liability maturities, and by holding assets that can be readily converted into cash.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed rate instruments subject the organization to a fair value risk while variable rate instruments subject it to a cash flow risk. The organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of its long-term debt.

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