Kingsway Etobicoke School Corporation

[Operating as Kingsway College School]

Financial statements

June 30, 2022

Building a better working world

Independent auditor's report

To the Governors of
Kingsway Etobicoke School Corporation

Opinion

We have audited the financial statements of **Kingsway Etobicoke School Corporation** [operating as Kingsway College School] [the "School"], which comprise the statement of financial position as at June 30, 2022, and the statement of revenue and expenses, statement of changes in net assets and statement of 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 School as at June 30, 2022, 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 School 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 opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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 School'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 School or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 judgment 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 School'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 School's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the School 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.

Ernst & Young LLP

Toronto, Canada
September 28, 2022

Chartered Professional Accountants
Licensed Public Accountants

Kingsway Etobicoke School Corporation
[Operating as Kingsway College School]

Statement of financial position

As at June 30

	2022	2021
	$	$
Assets *[note 3]*		
Current		
Cash and cash equivalents	**3,089,843**	3,011,715
Investments, fair value *[note 4]*	**3,325,895**	5,350,833
Accounts receivable	**297,462**	259,813
Prepaid expenses	**345,467**	215,822
Total current assets	**7,058,667**	8,838,183
Capital assets, net *[note 5]*	**28,654,742**	22,977,246
	35,713,409	31,815,429
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	**3,251,696**	1,099,753
Prepaid tuition fees	**8,530,660**	8,474,834
Deferred contributions *[note 6]*	**364,325**	371,981
Current portion of long-term debt *[note 8]*	**201,345**	266,636
Total current liabilities	**12,348,026**	10,213,204
Deferred capital contributions *[note 7]*	**3,978,258**	3,200,507
Long-term debt *[note 8]*	**10,870,255**	9,919,835
Total liabilities	**27,196,539**	23,333,546
Commitments *[note 13]*		
Net assets		
Unrestricted	**8,212,062**	8,175,271
Endowment fund *[note 9]*	**304,808**	306,612
Total net assets	**8,516,870**	8,481,883
	35,713,409	31,815,429

See accompanying notes

On behalf of the Governors:

Governor

Governor

Kingsway Etobicoke School Corporation

[Operating as Kingsway College School]

Statement of revenue and expenses

Year ended June 30

	2022	2021
	$	$
Revenue		
Tuition fees	**11,252,644**	10,422,141
Ancillary school programs	**47,459**	13,167
Investment income (loss)	**(19,052)**	56,343
Miscellaneous	**246,067**	62,967
	11,527,118	10,554,618
Expenses		
Salaries and benefits *[note 12]*	**8,766,428**	8,133,554
Occupancy	**1,184,167**	1,187,528
Amortization of capital assets *[note 13]*	**604,151**	594,644
Education	**511,000**	465,838
Administration	**612,855**	466,202
Marketing	**123,180**	77,433
Ancillary school programs	**25,173**	7,642
	11,826,954	10,932,841
Deficiency of revenue over expenses before the following	**(299,836)**	(378,223)
Donations and other contributions *[note 10]*	**497,945**	259,630
Amortization of deferred capital contributions *[note 7]*	**93,515**	93,515
Strategic development costs *[note 11]*	**(254,833)**	(94,930)
Excess (deficiency) of revenue over expenses for the year	**36,791**	(120,008)

See accompanying notes

Kingsway Etobicoke School Corporation
[Operating as Kingsway College School]

Statement of changes in net assets

Year ended June 30

	2022		
	Unrestricted	**Endowment fund**	**Total**
	$	$	$
Net assets, beginning of year	**8,175,271**	**306,612**	**8,481,883**
Excess of revenue over expenses for the year	**36,791**	**—**	**36,791**
Investment loss *[note 9]*	**—**	**(1,804)**	**(1,804)**
Net assets, end of year	**8,212,062**	**304,808**	**8,516,870**

	2021		
	Unrestricted	**Endowment fund**	**Total**
	$	$	$
Net assets, beginning of year	8,295,279	301,906	8,597,185
Deficiency of revenue over expenses for the year	(120,008)	—	(120,008)
Investment income in excess of amount made available for spending *[note 9]*	—	4,706	4,706
Net assets, end of year	8,175,271	306,612	8,481,883

See accompanying notes

Kingsway Etobicoke School Corporation
[Operating as Kingsway College School]

Statement of cash flows

Year ended June 30

	2022	2021
	$	$
Operating activities		
Excess (deficiency) of revenue over expenses for the year	**36,791**	(120,008)
Add (deduct) items not involving cash		
Amortization of capital assets	**604,151**	594,644
Amortization of deferred capital contributions	**(93,515)**	(93,515)
	547,427	381,121
Changes in non-cash working capital balances related to operations		
Accounts receivable	**(37,649)**	116,920
Prepaid expenses	**(129,645)**	(79,602)
Inventory	**—**	80,654
Accounts payable and accrued liabilities	**2,151,943**	58,832
Prepaid tuition fees	**55,826**	1,570,664
Deferred contributions	**(7,656)**	(76,810)
Cash provided by operating activities	**2,580,246**	2,051,779
Investing activities		
Net change in investments	**2,023,134**	1,608,152
Purchase of capital assets	**(6,281,647)**	(14,123,807)
Cash used in investing activities	**(4,258,513)**	(12,515,655)
Financing activities		
Contributions restricted for capital purposes	**871,266**	510,942
Proceeds from long-term debt	**1,194,499**	10,496,500
Payment of debt issue costs	**(42,734)**	(92,844)
Repayment of long-term debt	**(266,636)**	(217,185)
Cash provided by financing activities	**1,756,395**	10,697,413
Net increase in cash during the year	**78,128**	233,537
Cash and cash equivalents, beginning of year	**3,011,715**	2,778,178
Cash and cash equivalents, end of year	**3,089,843**	3,011,715

See accompanying notes

Kingsway Etobicoke School Corporation

[Operating as Kingsway College School]

Notes to financial statements

June 30, 2022

1. Description of the organization

Kingsway Etobicoke School Corporation, [operating as Kingsway College School] [the "School"], represents the amalgamation, pursuant to Articles of Amalgamation effective February 22, 2013, of Kingsway Etobicoke School Corporation ["KCS"] and St. George's (Islington) Church Nursery School Inc. [the "Nursery School"].

During the year, the School changed its legal name from St. George's (Islington) Church Nursery School Inc. to Kingsway Etobicoke School Corporation.

The School is registered as a charitable organization under the *Income Tax Act* (Canada) and, as such, is exempt from income taxes provided that certain conditions are met, and may issue receipts for income tax purposes.

The School's objectives are defined by its Mission Statement: "To be the defining force in developing lifelong learners by stewarding a learning environment that inspires us to reach our ultimate potential."

The School is governed by a Board of Governors elected by the members of KCS. The School is a member, and accredited by, Canadian Accredited Independent Schools, and is a member of the Conference of Independent Schools of Ontario.

2. Summary of significant accounting policies

Basis of presentation

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies set out below.

Revenue recognition

Tuition and school fees are recognized as revenue in the year to which they relate. Tuition and school fees received in advance are deferred and recognized in revenue in the relevant academic year in which the student attends. Infrastructure fees are recorded as other contributions revenue in the initial academic year in which the student attends.

The School follows the deferral method of accounting for contributions, which include grants, bequests and other donations. Grants and bequests are recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions, except endowment contributions, are deferred and recognized as revenue in the period in which the related expenses are incurred. Externally restricted endowment contributions are recognized as direct increases in net assets when recorded in the accounts.

Investment income, which consists of interest, dividends, and realized and unrealized gains and losses, is recognized in the statement of revenue and expenses, except to the extent that it is externally restricted, in which case it is added to or deducted from endowment net assets or other restricted balances.

Financial instruments

Investments are recorded at fair value. Transactions costs to acquire or dispose of these instruments are recorded on a trade date basis and are expensed as incurred.

Long-term debt is initially measured at fair value, net of transaction costs and financing fees, and is subsequently measured at amortized cost. Transaction costs and financing fees are amortized on a straight-line basis over the term of the debt.

Other financial instruments, including accounts receivable and accounts payable, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

Capital assets

Purchased capital assets are recorded at acquisition cost. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Tangible	
Buildings	Term of the lease
Leasehold improvements	Term of the lease
Computer hardware	5 years
Furniture and fixtures	5 years
Equipment	10 years

Amounts related to the senior campus development are not amortized until available for use. Carrying costs, including interest on long-term debt, property taxes and other condominium common element fees, are capitalized to senior campus development costs until the property is substantially complete and ready for use.

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not contribute to the School's ability to provide goods and services. Any impairment results in a write-down of the asset and an expense in the statement of revenue and expenses. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

Pension plans

Multi-employer pension plan

Defined contribution plan accounting is applied to the multi-employer defined benefit pension plan, whereby contributions are expensed on an accrual basis, as the School has insufficient information to apply defined benefit plan accounting.

Defined contribution pension plan

Contributions to a group retirement savings plan are expensed when due.

Contributed services

The School benefits from services in the form of volunteer time. These valuable services are difficult to measure and are not recognized in the financial statements.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Significant estimates include the useful life of capital assets.

3. Credit facilities

The School has entered into the following credit facilities:

[a] Operating loan of $500,000 [2021 – $500,000] to provide general working capital for the School, available by prime rate-based loans bearing interest at the bank's prime rate plus 1% or letters of credit in CAD or USD at a rate advised by the bank at the time of issuance. There were no draws on this facility as at June 30, 2022 or 2021. On August 4, 2022, the School amended this facility and the operating loan was increased to $1 million.

[b] Committed reducing term facility up to $9 million to provide mortgage financing for the purchase of condominium units for the senior campus, available by way of a floating-, or fixed-rate-term loan bearing interest at the bank's prime rate or fixed interest rate as determined periodically, respectively, with a term to maturity of five years from the date of initial drawdown. As at June 30, 2022, $8,516,178 was owing on this facility [2021 – $8,782,815] *[note 8]*. Subsequent to year end, the terms of this facility were amended and increased the fixed interest rate to 5.635% per annum with monthly payments to $54,507 commencing in September 2022. This rate term matures in August 2024.

[c] Additional facilities include a demand interim construction loan up to $4.5 million [2021 – $ 4.5 million] for the build out of the senior campus, available once the School's spending on the senior campus reaches $4.2 million by way of a loan bearing interest at the bank's prime rate, which will be taken out by a committed reducing term facility up to $4.5 million upon completion of construction or by December 31, 2022, by way of a floating-, or fixed-rate-term loan bearing interest at the bank's prime rate or fixed interest rate as determined periodically, respectively, with a term to maturity of five years from the date of initial drawdown. There were no draws on this facility as at June 30, 2022 or 2021. On August 4, 2022, the School amended this facility and the demand interim construction loan and committed reducing term facility were increased to $5 million becoming available once the School's spending on the senior campus reaches $6 million.

As collateral for these credit facilities, the School has provided a General Security Agreement on the School's assets, a continuing collateral mortgage charge and general assignment of rents on the senior campus property, assignment of $3 million of the School's investment portfolio and various insurance policies.

The School is required to provide the annual audited financial statements, the senior campus rent roll and projected operating and capital expenditures to the lender within 120 days the School's fiscal year-end.

Commencing June 30, 2024, the School will be required to maintain a minimum debt service coverage ["DSC"] of no less than 110% and maintain a minimum cash balance of $3.0 million. Prior to this date, the School is required to maintain a DSC of no less than 100%. The School was in compliance with this covenant as at June 30, 2022.

Further, the lender has permitted the School to issue up to $4 million of community bonds in support of additional development financing for the senior campus, subordinate to the lender *[note 8]*.

4. Investments

Investments consist of the following:

	2022	2021
	$	$
Cash	**1,007,500**	—
Short-term investments, average yield rate 2.18% [2021 – 0.75%]	**2,294,000**	1,000,000
Money market investments, average yield rate 1.25% [2021 – 0.20%]	**24,395**	2,351,918
Fixed income [2021 – 2.30%]	**—**	1,998,915
	3,325,895	5,350,833

Included in short-term investments are two fixed income investments [2021 – one investment] yielding interest between 1.90% and 2.55% [2021 – 0.75%], maturing in May 2023 and June 2023, respectively [2021 – June 2022].

5. Capital assets

Capital assets consist of the following:

	2022		
	Cost	**Accumulated amortization**	**Net book value**
	$	$	$
Tangible			
Buildings	**7,810,898**	**2,857,271**	**4,953,627**
Leasehold improvements	**2,833,543**	**828,360**	**2,005,183**
Computer hardware	**1,303,964**	**764,181**	**539,783**
Furniture and fixtures	**391,279**	**335,131**	**56,148**
Equipment	**685,253**	**522,664**	**162,589**
Senior campus development costs	**20,937,412**	—	**20,937,412**
	33,962,349	**5,307,607**	**28,654,742**

	2021		
	Cost	**Accumulated amortization**	**Net book value**
	$	$	$
Tangible			
Buildings	7,810,898	2,673,803	5,137,095
Leasehold improvements	2,833,543	754,094	2,079,449
Computer hardware	1,231,401	692,888	538,513
Furniture and fixtures	409,744	324,196	85,548
Equipment	685,253	480,488	204,765
Senior campus development costs	14,931,876	—	14,931,876
	27,902,715	4,925,469	22,977,246

On November 13, 2019, the School entered into an agreement to purchase units in a condominium being constructed by the vendor for a purchase price of $12 million in order to develop the School's senior campus. The purchase closed and legal transfer of the units to the School occurred on August 11, 2020. All capital amounts related to the senior campus development, including carrying costs of $1,314,377 [2021 – $555,528] incurred to date, are recorded in senior campus development costs. As at June 30, 2022, $20,937,412 [2021 – $14,931,876] of costs related to the senior campus development have not been amortized since the senior campus is not yet available for use. The senior campus was substantially completed on September 15, 2022.

The School has financed the purchase of the condominium by way of various credit facilities *[note 8]*.

Fully amortized assets of $222,013 [2021 – $240,565] have been removed from cost and accumulated amortization as they are no longer in use.

6. Deferred contributions

Deferred contributions represent donations received that are restricted for specific purposes. The continuity of deferred contributions is as follows:

	2022	**2021**
	$	$
Balance, beginning of year	**371,981**	448,791
Amounts received during the year	**7,000**	4,374
Investment income (loss)	**(2,402)**	6,966
Amounts recognized as revenue during the year	**(12,254)**	(68,150)
Amounts transferred to accounts payable and accrued liabilities for bursaries awarded for next tuition year	**—**	(20,000)
Balance, end of year	**364,325**	371,981

7. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets. The annual amortization of deferred capital contributions is recorded as revenue in the statement of revenue and expenses. The changes in the deferred capital contributions balance are as follows:

	2022	2021
	$	$
Balance, beginning of year	**3,200,507**	2,783,080
Contributions restricted for capital purposes	**871,266**	510,942
Amortization of deferred capital contributions	**(93,515)**	(93,515)
Balance, end of year	**3,978,258**	3,200,507

As at June 30, 2022, contributions received for capital purposes of $1,382,208 [2021 – $510,942] have not been amortized as the corresponding assets are not yet available for use.

8. Long-term debt

Long-term debt consists of the following:

	2022	2021
	$	$
$9,000,000 mortgage payable, bearing interest at a fixed rate of 2.56%, repayable in monthly payments of principal and interest of $40,568, amortized over 25 years, maturing November 8, 2045 *[note 3[b]]*	**8,516,178**	8,782,815
Series A, minimum $50,000 non-redeemable community bonds, bearing interest at 5%, maturing April 2028	**1,779,500**	1,187,000
Series B, minimum $10,000 non-redeemable community bonds, bearing interest at 4%, maturing April 2027	**693,000**	215,000
Series C, minimum $2,500 non-redeemable community bonds, bearing interest at 3%, maturing April 2026	**168,500**	42,000
Promissory note payable, non-interest bearing, maturing May 2028	**50,000**	50,000
Bond instalments	**—**	2,500
	11,207,178	10,279,315
Less unamortized transaction costs and financing fees	**135,578**	92,844
	11,071,600	10,186,471
Less current portion	**201,345**	266,636
	10,870,255	9,919,835

Interest on the Series A, Series B and Series C community bonds is calculated annually in arrears and paid following the accrual period end date of December 31. The principal sum may be repaid by the School at its option, in whole or in part, at any time, without penalty.

The Series A, Series B and Series C community bonds are secured by charges against the senior campus property, ranked subsequent to prior charges in the aggregate principal amount not to exceed $13,500,000 *[notes 3[b] and 3[c]]*.

During the year, the School incurred interest expense on long-term debt of $326,289 [2021 – $207,844], which has been recorded in senior campus development costs in capital assets within the statement of financial position. Interest expense will be capitalized until the senior campus is substantially complete and available for use *[note 5]*.

Principal repayments on long-term debt are as follows:

	$
2023	201,345
2024	194,473
2025	206,866
2026	387,441
2027	924,195
Thereafter	9,292,858
	11,207,178

9. Endowment fund

The KCS Family and Friends Fund was created in 2004 for the purpose of growing the fund to generate sufficient investment income to fund bursaries, scholarships and other initiatives [excluding capital projects] for future generations of students. Disbursements from this fund will be deferred until the corpus attains a balance of $500,000.

In fiscal 2022, an investment loss of $1,804 was incurred on investments held for externally restricted endowment net assets [2021 – investment income of $4,706] and was charged directly to externally restricted endowments. No amounts were made available for spending in 2022 or 2021.

10. Donations and other contributions

Donations and other amounts consist of the following:

	2022	**2021**
	$	$
Infrastructure fees	**493,800**	209,000
Other contributions	**14,726**	80,077
Advancement expenses	**(10,581)**	(29,447)
	497,945	259,630

11. Strategic development costs

The School incurred various consultant and representation costs related to the following special projects:

	2022 $	2021 $
KCS rebranding	**171,621**	—
Senior campus	**83,212**	94,930
	254,833	94,930

12. Pension plans

Teachers of the School who are members of the Ontario College of Teachers are participants in the Ontario Teachers' Pension Plan ["OTPP"], which is a multi-employer defined benefit plan for which the School matches contributions deducted from the teachers' salaries. The most recent valuation for financial reporting purposes completed by the pension plan as of December 31, 2021, disclosed net assets available for benefits of $241.5 billion, with pension obligations of $257.4 billion, resulting in a deficit of $15.9 billion. During the year, the School contributed $598,701 [2021 – $554,939] to this pension plan, which was expensed in salaries and benefits in the statement of revenue and expenses. The School's exposure is limited to matching the teachers' contributions.

Employees not eligible to participate in the OTPP have the option of contributing to a Group Retirement Savings Plan [the "Plan"] with the School matching contributions remitted. During the year, the School contributed $116,540 [2021 – $96,439] to the Plan. Contributions are expensed in salaries and benefits in the statement of revenue and expenses.

13. Commitments

[a] As a result of the amalgamation in 2013 *[note 1]*, the School entered into a licence agreement with St. George's Church-on-the-Hill [the "Church"], which governed the building, common areas and facilities in which the School operates. The School and the Church entered into a new licence agreement, effective July 1, 2019, which consolidated the previous agreements that expired on June 30, 2019 and expires on June 30, 2049.

The School is committed to annual payments for basic occupancy costs of $287,309, a proportionate share of capital costs of the building of $45,000, and additional occupancy costs for common areas and facilities, as determined for the first year of the agreement ending June 30, 2020. Amounts are adjusted annually for the Consumer Price Index in each subsequent year under the agreement.

The School incurred basic occupancy and capital costs during 2022 of $341,780 [2021 – $338,256]. Further, the School reimbursed the Church for its proportionate share of the other operating costs for the year ended June 30, 2022, which were approximately $353,357 [2021 – $312,600].

Both the School and the Church have rights of termination under the KCS license agreement. Either party may terminate this license agreement on 10 years' written notice. In the event of termination of the licence agreement by the Church, the School is entitled to receive a termination payment calculated on a declining balance basis over 40 years based on the values of the School buildings. At the first potential termination date of July 1, 2024, this payment would be $4,394,750. In the event of termination by the School, the Church is entitled to payment of any outstanding amounts to the date of termination.

[b] The School is committed to monthly condominium common element fees on the senior campus for common area and facilities management costs, which are determined annually. During 2022, the School incurred total condominium fees of $309,271 [2021 – $347,644]. These fees are recorded in senior campus development costs in capital assets within the statement of financial position until the senior campus is substantially complete and available for use *[note 5]*.

[c] The School has entered into contractual obligations for the project management and construction of the senior campus. As at June 30, 2022, $2,698,000 of these contractual obligations remain unfulfilled.

14. Financial instruments and risk management

The School is exposed to various financial risks through transaction in financial instruments. The following provides a measure of the School's risk exposure and concentrations. It is management's opinion that the School is not exposed to any significant type of risk as a result of these financial instruments.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The School is exposed to credit risk through its cash, short-term investments and accounts receivable. Receivables comprise tuition fees receivable and are unsecured. The School's bank accounts are held at one financial institution. Funds on deposit exceed the maximum amount insured and hence there is a concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that the School will not be able to meet a demand for cash or fund its obligations as they come due. The School meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations and anticipating investing and financing activities.

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 is composed of currency risk, interest rate risk and other price risk. To manage these risks, the School has established a target mix of investment types designed to achieve the optimal return with established low risk tolerances.

[a] Currency risk reflects the risk that the School's earnings will decline due to the fluctuations in foreign exchange rates.

The School is exposed to currency risk with respect to the investments denominated in foreign currencies because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

[b] 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.

The School's cash and short-term investments include amounts on deposit with financial institutions that earn interest at market rates. The School manages its exposure to the interest rate risk of its cash and short-term investments by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis.

The School is also exposed to interest rate risk on its floating and fixed-interest-rate-debt.

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

[c] Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices [other than those arising from currency risk or interest rate risk], whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments in the market.

15. Comparative financial statements

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the June 30, 2022 financial statements.