

Kingsway Etobicoke School Corporation

[Operating as Kingsway College School]

Financial statements

June 30, 2023



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, 2023, 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, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the 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

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
September 27, 2023



Kingsway Etobicoke School Corporation

[Operating as Kingsway College School]

Statement of financial position

As at June 30

	2023	2022
	\$	\$
Assets [note 3]		
Current		
Cash and cash equivalents	1,676,313	3,089,843
Investments, fair value [note 4]	2,394,525	3,325,895
Accounts receivable	191,186	297,462
Prepaid expenses	294,496	345,467
Total current assets	4,556,520	7,058,667
Capital assets, net [note 5]	33,119,744	28,654,742
	37,676,264	35,713,409
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	1,158,132	3,251,696
Prepaid tuition fees	8,944,031	8,530,660
Deferred contributions [note 6]	338,916	364,325
Current portion of long-term debt [note 8]	276,862	201,345
Total current liabilities	10,717,941	12,348,026
Deferred capital contributions [note 7]	4,364,646	3,978,258
Long-term debt [note 8]	15,681,354	10,870,255
Total liabilities	30,763,941	27,196,539
Commitments [note 13]		
Net assets		
Unrestricted	6,596,484	8,212,062
Endowment fund [note 9]	315,839	304,808
Total net assets	6,912,323	8,516,870
	37,676,264	35,713,409

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

	2023	2022
	\$	\$
Revenue		
Tuition fees	12,186,278	11,252,644
Ancillary school programs	92,446	47,459
Investment income (loss)	81,472	(19,052)
Miscellaneous	132,193	246,067
	12,492,389	11,527,118
Expenses		
Salaries and benefits <i>[note 12]</i>	9,866,357	8,766,428
Occupancy	1,467,055	1,184,167
Amortization of capital assets <i>[note 13]</i>	969,631	604,151
Education	720,889	511,000
Administration	756,996	612,855
Finance costs	368,224	—
Marketing	223,320	123,180
Campus transportation	110,951	—
Ancillary school programs	87,643	25,173
	14,571,066	11,826,954
Deficiency of revenue over expenses before the following	(2,078,677)	(299,836)
Donations and other contributions <i>[note 10]</i>	510,443	497,945
Amortization of deferred capital contributions <i>[note 7]</i>	110,926	93,515
Strategic development costs <i>[note 11]</i>	(158,270)	(254,833)
Excess (deficiency) of revenue over expenses for the year	(1,615,578)	36,791

See accompanying notes

Kingsway Etobicoke School Corporation

[Operating as Kingsway College School]

Statement of changes in net assets

Year ended June 30

	2023		
	Endowment		Total
	Unrestricted	fund	
	\$	\$	\$
Net assets, beginning of year	8,212,062	304,808	8,516,870
Deficiency of revenue over expenses for the year	(1,615,578)	—	(1,615,578)
Investment income <i>[note 9]</i>	—	11,031	11,031
Net assets, end of year	6,596,484	315,839	6,912,323

	2022		
	Endowment		Total
	Unrestricted	fund	
	\$	\$	\$
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 <i>[note 9]</i>	—	(1,804)	(1,804)
Net assets, end of year	8,212,062	304,808	8,516,870

See accompanying notes

Kingsway Etobicoke School Corporation

[Operating as Kingsway College School]

Statement of cash flows

Year ended June 30

	2023	2022
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses for the year	(1,615,578)	36,791
Add (deduct) items not involving cash		
Amortization of capital assets	969,631	604,151
Amortization of deferred capital contributions	(110,926)	(93,515)
Amortization of transaction costs and financing fees	48,728	—
	<u>(708,145)</u>	<u>547,427</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable	106,276	(37,649)
Prepaid expenses	50,971	(129,645)
Accounts payable and accrued liabilities	(2,093,564)	2,151,943
Prepaid tuition fees	413,371	55,826
Deferred contributions	(25,409)	(7,656)
Cash provided by (used in) operating activities	<u>(2,256,500)</u>	<u>2,580,246</u>
Investing activities		
Net change in investments	942,401	2,023,134
Purchase of capital assets	(5,434,633)	(6,281,647)
Cash used in investing activities	<u>(4,492,232)</u>	<u>(4,258,513)</u>
Financing activities		
Contributions restricted for capital purposes	497,314	871,266
Proceeds from long-term debt	5,050,000	1,194,499
Payment of debt issue costs	(11,832)	(42,734)
Repayment of long-term debt	(200,280)	(266,636)
Cash provided by financing activities	<u>5,335,202</u>	<u>1,756,395</u>
Net increase (decrease) in cash during the year	(1,413,530)	78,128
Cash and cash equivalents, beginning of year	<u>3,089,843</u>	<u>3,011,715</u>
Cash and cash equivalents, end of year	<u>1,676,313</u>	<u>3,089,843</u>

See accompanying notes

Kingsway Etobicoke School Corporation

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Notes to financial statements

June 30, 2023

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"].

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*, "Accounting for Not-for-profit Organizations" 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.

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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

Building additions – junior campus	Term of the lease
Leasehold improvements	Term of the lease
Computer hardware	5 years
Furniture and fixtures	5 years
Equipment	10 years
Senior campus development costs – building	50 years
Senior campus development costs – electrical and mechanical	30 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 balance of that space is substantially completed 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.

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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 \$1.0 million [2022 – \$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, 2023 or 2022.
- [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. The School entered into a fixed-rate term loan bearing interest at 5.635% per annum with monthly payments to \$54,507 commencing in September 2022. This rate term matures in August 2024. As at June 30, 2023, \$8,315,898 [2022 – \$8,516,178] was owing on this facility [note 8].
- [c] Additional facilities include a demand interim construction loan up to \$ 5.0 million [2022 – \$ 4.5 million] for the build out of the senior campus, available once the School's spending on the senior campus reaches \$6.0 million [2022 – \$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 \$5.0 million upon completion of construction or by June 30, 2023, 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 three years from the date of initial drawdown. The School entered into a fixed-rate term loan bearing interest at 6.485% per annum with monthly payments to \$33,396 commencing in July 2023. This rate term matures in June 2026. As at June 30, 2023, \$5,000,000 [2022 – nil] was owing on this facility [note 8].

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 and various insurance policies. The assignment of \$3 million of the School's investment portfolio is no longer a requirement of these credit facilities.

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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%. 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, 2023.

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:

	2023	2022
	\$	\$
Cash	135	1,007,500
Short-term investments	2,394,390	2,294,000
Money market investment, yield rate of 1.25%	—	24,395
	2,394,525	3,325,895

Included in short-term investments are two fixed income investments [2022 – two fixed income investments] yielding interest between 4.00% and 4.45% [2022 – 1.90% and 2.55%], maturing in July 2023 and September 2023, respectively [2022 – May 2023 and June 2023].

5. Capital assets

Capital assets consist of the following:

	2023		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Building additions – junior campus	7,810,898	3,040,738	4,770,160
Leasehold improvements	2,866,745	903,856	1,962,889
Computer hardware	1,408,652	783,973	624,679
Furniture and fixtures	692,060	380,924	311,136
Equipment	699,948	564,951	134,997
Senior campus development costs – building	22,850,391	237,668	22,612,723
Senior campus development costs – electrical and mechanical	2,748,976	45,816	2,703,160
	39,077,670	5,957,926	33,119,744

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	2022		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Building additions – junior campus	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 – building	18,815,823	—	18,815,823
Senior campus development costs – electrical and mechanical	2,121,589	—	2,121,589
	33,962,349	5,307,607	28,654,742

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 \$1,838,502 [2022 – \$1,314,377] are recorded in senior campus development costs. The senior campus was substantially completed by January 2023 and amortization commenced on that date.

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

Fully amortized assets of \$319,312 [2022 – \$222,013] 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:

	2023	2022
	\$	\$
Balance, beginning of year	364,325	371,981
Amounts received during the year	10,990	7,000
Investment income (loss)	13,066	(2,402)
Amounts recognized as revenue during the year	(49,465)	(12,254)
Balance, end of year	338,916	364,325

Notes to financial statements

June 30, 2023

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:

	2023 \$	2022 \$
Balance, beginning of year	3,978,258	3,200,507
Contributions restricted for capital purposes	497,314	871,266
Amortization of deferred capital contributions	(110,926)	(93,515)
Balance, end of year	4,364,646	3,978,258

8. Long-term debt

Long-term debt consists of the following:

	2023 \$	2022 \$
\$9,000,000 mortgage payable, bearing interest at a fixed rate of 5.635%, repayable in monthly payments of principal and interest of \$54,507, amortized over 25 years, maturing August 11, 2045 [note 3[b]]	8,315,898	8,516,178
\$5,000,000 term loan, bearing interest at a fixed rate of 6.485%, repayable in monthly payments of principal and interest of \$33,396, amortized over 25 years, maturing June 29, 2048 [note 3[c]]	5,000,000	—
Series A, minimum \$50,000 non-redeemable community bonds, bearing interest at 5%, maturing April 2028	1,829,500	1,779,500
Series B, minimum \$10,000 non-redeemable community bonds, bearing interest at 4%, maturing April 2027	693,000	693,000
Series C, minimum \$2,500 non-redeemable community bonds, bearing interest at 3%, maturing April 2026	168,500	168,500
Promissory note payable, non-interest bearing, maturing May 2028	50,000	50,000
	16,056,898	11,207,178
Less unamortized transaction costs and financing fees	98,682	135,578
	15,958,216	11,071,600
Less current portion	276,862	201,345
	15,681,354	10,870,255

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.

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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 \$14,000,000 [notes 3[b] and 3[c]].

During the year, the School incurred interest expense on long-term debt of \$734,050 [2022 – \$326,289], of which \$414,554 was capitalized and recorded in senior campus development costs in capital assets within the statement of financial position. Upon the senior campus being substantially complete and available for use in January 2023 [note 5], capitalization of interest expense ceased.

Principal repayments on long-term debt are as follows:

	\$
2024	276,790
2025	295,495
2026	482,089
2027	1,024,983
2028	2,181,578
Thereafter	11,795,964
	<u>16,056,899</u>

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 2023, investment income earned on externally restricted endowment net assets was \$11,031 [2022 – investment loss of \$1,804] and was recorded directly to externally restricted endowments. No amounts were made available for spending in 2023 or 2022.

10. Donations and other contributions

Donations and other amounts consist of the following:

	2023 \$	2022 \$
Infrastructure fees	481,200	493,800
Other contributions	51,895	14,726
Advancement expenses	(22,652)	(10,581)
	<u>510,443</u>	<u>497,945</u>

Notes to financial statements

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11. Strategic development costs

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

	2023	2022
	\$	\$
KCS rebranding	140,646	171,621
Senior campus	17,624	83,212
	158,270	254,833

12. Pension plans

Teachers at 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, 2022, disclosed net assets available for benefits of \$247.2 billion, with pension obligations of \$206.1 billion, resulting in a surplus of \$41.1 billion. During the year, the School contributed \$659,678 [2022 – \$598,701] 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 \$116,378 [2022 – \$116,540] 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 license agreement with St. George's Church-on-the-Hill [the "Church"], which governed the building, common areas and facilities in which the school operates. Effective July 1, 2019, the School and the Church entered into a new license agreement, which consolidated previous agreements, 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 2023 of \$349,921 [2022 – \$341,780]. Further, the School reimbursed the Church for its proportionate share of the other operating costs for the year ended June 30, 2023, which were approximately \$368,346 [2022 – \$353,357].

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Both the School and the Church have rights of termination under the KCS license agreement. Either party may terminate this license agreement with 10 years' written notice. In the event of termination of the license 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 2023, the School incurred total condominium fees of \$313,923 [2022 – \$309,271], of which, \$156,961 [2022 – \$309,271] was recorded in senior campus development costs in capital assets within the statement of financial position representing fees incurred until January 2023 when the senior campus was substantially completed and available for use [note 5].

14. Financial instruments and risk management

The School is exposed to various financial risks through transactions 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 investment 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.

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Notes to financial statements

June 30, 2023

- [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.