

**Sketch**  
**Working Arts for Street Involved**  
**and Homeless Youth**

**Financial Statements**

**December 31, 2020**



## **Independent Auditor's Report**

To the Members of

### **Sketch Working Arts for Street Involved and Homeless Youth**

#### **Qualified Opinion**

We have audited the financial statements of **Sketch Working Arts for Street Involved and Homeless Youth** (the Organization), which comprise the statement of financial position as at **December 31, 2020** and **2019**, the statements of operations, changes in fund balances and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2020 and 2019, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### **Basis for Qualified Opinion**

In common with many not-for-profit organizations, **Sketch Working Arts for Street Involved and Homeless Youth** derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore, we were not able to determine whether any adjustments might be necessary to the donation and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2020 and 2019, current assets as at December 31, 2020 and 2019, and net assets as at January 1 and December 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended December 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

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 Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

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

# Sketch Working Arts for Street Involved and Homeless Youth

## Independent Auditor's Report

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### 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 Organization'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 Organization'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 Organization 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.

*Clarkson Rouble LLP*

Mississauga, Ontario  
March 25, 2021

Clarkson Rouble LLP  
Chartered Professional Accountants  
Licensed Public Accountants



# Sketch Working Arts for Street Involved and Homeless Youth

## Statement of Financial Position As at December 31

	General Fund	Capital Asset Fund	2020 Total	2019 Total
<b>Assets</b>				
<b>Current</b>				
Cash (Note 2)	\$ 1,123,277	\$ (200,671)	\$ 922,606	\$ 165,594
Accounts receivable	302,650	-	302,650	218,393
CEWS receivable (Note 14)	132,802	-	132,802	-
Sales taxes receivable	49,032	-	49,032	31,168
Prepaid expenses	36,746	-	36,746	42,850
	1,644,507	(200,671)	1,443,836	458,005
<b>Capital assets (Note 3)</b>	-	4,293,438	4,293,438	4,367,953
	<b>\$ 1,644,507</b>	<b>\$ 4,092,767</b>	<b>\$ 5,737,274</b>	<b>\$ 4,825,958</b>

## Liabilities

<b>Current</b>				
CEBA Loan (Note 14)	\$ 40,000	\$ -	\$ 40,000	\$ -
Accounts payable and accruals	210,621	-	210,621	63,935
Sales taxes payable	-	-	-	130,808
Deferred contributions (Note 4)	1,776,179	-	1,776,179	1,108,643
Deferred capital contributions (Note 5)	-	836,985	836,985	578,171
Loans payable (Note 6)	-	1,077,831	1,077,831	2,010,000
Current portion of long term debt (Note 7)	-	25,803	25,803	24,684
	2,026,800	1,940,619	3,967,419	3,916,241
<b>Charitable bonds payable (Note 8)</b>	-	818,500	818,500	-
<b>Mortgage payable (Note 7)</b>	-	1,049,528	1,049,528	1,075,316
	2,026,800	3,808,647	5,835,447	4,991,557

## Net Assets

<b>Net assets invested in capital assets</b>	-	284,120	284,120	148,914
<b>Unrestricted net assets</b>	(382,293)	-	(382,293)	(314,513)
	(382,293)	284,120	(98,173)	(165,599)
	<b>\$ 1,644,507</b>	<b>\$ 4,092,767</b>	<b>\$ 5,737,274</b>	<b>\$ 4,825,958</b>

See accompanying notes to financial statements

On behalf of the Board:



Sven Dedic, Treasurer

Director



Charlene Quincey, President/Chair

Director

# Sketch Working Arts for Street Involved and Homeless Youth

## Statement of Operations Year Ended December 31

	General Fund		Capital Asset Fund	
	2020	2019	2020	2019
<b>Revenue</b>				
Government revenue				
Government of Canada	\$ 558,334	\$ 363,140	\$ -	\$ -
Province of Ontario	45	1,956	-	-
Ontario Trillium Foundation	878,173	1,228,386	-	-
Ontario Arts Council (Note 9)	120,246	150,685	-	-
Toronto Arts Council (Note 10)	199,182	204,394	-	-
City of Toronto	156,505	192,032	-	-
Government Subsidies (Note 14)	601,295	-	-	-
	2,513,780	2,140,593	-	-
Private sector revenue				
Charitable foundations	550,113	567,816	-	-
Corporate donations	114,959	292,655	-	-
Individual donations	165,139	321,663	-	-
Fundraising	177,267	30,871	-	-
Capital campaign	80,510	112,000	-	-
Partnership agreements	59,710	62,340	-	-
Amortization of deferred capital contributions	-	-	21,854	14,825
	1,147,698	1,387,345	21,854	14,825
Earned and Other Revenue				
Investment income	960	10,475	-	-
Facilities rental	30,325	91,897	-	-
Recoveries and rebates	3,175	39,155	-	-
	34,460	141,527	-	-
	3,695,938	3,669,465	21,854	14,825
<b>Expenses</b>				
Personnel costs	1,448,793	1,704,463	-	-
Occupancy costs	208,859	325,217	-	-
Program and materials costs	1,162,789	1,150,610	-	-
Purchased services and consultants	432,175	226,269	-	-
Fundraising	787	844	-	-
Office and general	138,890	197,196	-	-
Promotion	13,845	19,419	-	-
Interest on long term debt	136,089	-	-	-
Amortization	-	-	108,139	41,249
	3,542,227	3,624,018	108,139	41,249
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ 153,711</b>	<b>\$ 45,447</b>	<b>\$ (86,285)</b>	<b>\$ (26,424)</b>

See accompanying notes to financial statements

## Sketch Working Arts for Street Involved and Homeless Youth

### Statement of Changes in Net Assets Year Ended December 31

	Invested in capital assets (Note 3)	Unrestricted	2020 Total Net Assets	2019 Total Net Assets
<b>Balance, beginning of year</b>	\$ 148,914	\$ (314,513)	\$ (165,599)	\$ (184,622)
<b>Excess (deficiency) of revenue over expenses</b>	(86,285)	153,711	67,426	19,023
<b>Transfer between funds</b>	221,491	(221,491)	-	-
<b>Balance, end of year</b>	<b>\$ 284,120</b>	<b>\$ (382,293)</b>	<b>\$ (98,173)</b>	<b>\$ (165,599)</b>

*See accompanying notes to financial statements*

# Sketch Working Arts for Street Involved and Homeless Youth

## Statement of Cash Flows Year Ended December 31

	General Fund		Capital Asset Fund	
	2020	2019	2020	2019
<b>Operating activities</b>				
Excess (deficiency) of revenue over expenses	\$ 153,711	\$ 45,447	\$ (86,285)	\$ (26,424)
Items not requiring an outlay of cash				
Amortization of deferred capital contributions	-	-	(21,854)	(14,825)
Amortization	-	-	108,139	41,249
	153,711	45,447	-	-
Net change in working capital items				
Operating working capital				
Account receivable	(84,257)	85	-	-
CEWS receivable	(132,802)	-	-	-
Sales taxes receivable	(17,864)	(15,999)	-	-
Prepaid expenses	6,104	(9,188)	-	-
Accounts payable	146,686	(23,157)	-	-
Sales taxes payable	(130,808)	130,808	-	-
Deferred contributions	667,536	218,269	-	-
Current portion of long term debt	1,119	587	-	-
<b>Increase from operating</b>	609,425	346,852	-	-
<b>Investing activity</b>				
Purchase of capital assets	(33,624)	(3,616,388)	-	-
<b>Decrease from investing</b>	(33,624)	(3,616,388)	-	-
<b>Financing activity</b>				
Increase in CEBA loan	40,000	-	-	-
Repayment of commercial loan	-	(222,489)	-	-
Decrease in loans payable	(932,169)	2,010,000	-	-
Increase in deferred capital	280,668	-	-	-
Increase in charitable bonds payable	818,500	1,075,316	-	-
Decrease in mortgage payable	(25,788)	1,075,316	-	-
Sale (purchase) of short term investments	-	321,276	-	-
<b>Increase from financing</b>	181,211	3,184,103	-	-
<b>Increase (decrease) in cash</b>	757,012	(85,433)	-	-
<b>Cash, beginning of year</b>	165,594	251,027	-	-
<b>Cash, end of year</b>	\$ 922,606	\$ 165,594	\$ -	\$ -

See accompanying notes to financial statements



# Sketch Working Arts for Street Involved and Homeless Youth

## Notes to Financial Statements

December 31, 2020

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Sketch Working Arts for Street Involved and Homeless Youth is an organization developing cultural programs and educational opportunities for street-involved, at-risk and homeless youth. Sketch Working Arts for Street Involved and Homeless Youth (Sketch) was incorporated without share capital, in the Province of Ontario by letters patent dated December 7, 2001. It qualified for tax-exempt status as a registered charity under paragraph 149(1)(f) of the Income Tax Act effective March 7, 2003.

### 1. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

#### a) Fund accounting

Sketch follows the restricted 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 Asset Fund reports the assets, liabilities, revenues and expenses related to Sketch's capital assets and leasehold improvements.

#### b) Cash and cash equivalents

The organization considers cash on hand, deposits in bank, and bank line of credit as cash and cash equivalents.

#### c) Financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and cash equivalents and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable, accrued liabilities and operating loan.

Financial assets measured at fair value include short term investments. Short term investments consists of guaranteed investment certificates which the organization has elected to carry at fair value. Changes in fair value are recognized in net income.

The organization has not elected to carry any financial liability at fair value.



# Sketch Working Arts for Street Involved and Homeless Youth

## Notes to Financial Statements

December 31, 2020

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### 1. Summary of significant accounting policies (continued)

#### *Transaction costs*

The organization recognizes its transaction costs in net income in the period incurred except for financial instruments that will not be subsequently measured at fair value. The carrying amounts of these instruments are adjusted by the transaction costs that are directly attributable to their issuance.

#### d) **Capital assets**

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the assets' estimated useful lives, which for building and building improvements is 40 years, for furniture is 10 years, for equipment is 5 years, for audio video equipment is 3 years and for computers is 3 years. Leasehold improvements are amortized over the length of the lease plus one renewal period. Amortization expense is reported in the Capital Asset Fund.

#### e) **Impairment of long-lived assets**

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

#### f) **Revenue recognition**

The organization follows the deferral method of accounting for contributions to the General Fund. Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. Restricted grants and donations for purchase of capital assets in excess of current capital campaign expenditures are reported as deferred contributions on the balance sheet and are amortized to operations at the same rate as the related capital assets are amortized to operations.

Unrestricted contributions are recognized as revenue of the General Fund in the year received. Service revenue is recorded as revenue when the services are provided.

#### g) **Contributed material and services**

Donated materials and capital assets are recognized in the accounts when the fair market value of the materials is readily determinable and has been receipted by the organization.

Volunteers contribute many hours per year to assist Sketch Working Arts for Street Involved and Homeless Youth in carrying out its mandate. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

# Sketch Working Arts for Street Involved and Homeless Youth

## Notes to Financial Statements

December 31, 2020

### 1. Summary of significant accounting policies (continued)

#### h) Measurement uncertainty

The preparation of financial statements in conformity 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 reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Estimated life of capital assets, valuation of accounts receivable, and accrued liabilities are the most significant items that involve use of estimates.

### 2. Cash / Bank indebtedness

Cash and cash equivalents consist of cash on hand, deposits with banks, as well as bank line of credit. Cash (bank indebtedness) as presented on the balance sheet and included in the cash flow statement comprise the following:

	2020	2019
Deposits with banks	\$ 1,121,649	\$ 561,163
Cash on hand	1,628	4,491
Line of credit	(200,671)	(400,060)
	<b>\$ 922,606</b>	<b>\$ 165,594</b>

A line of credit, with a limit of \$400,000, bears interest on the outstanding balance at prime plus 1.5% (3.95% at year end), it is payable on demand, and is secured by a general security agreement covering all assets.

### 3. Capital assets

	2020		2019	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 361,639	\$ -	\$ 361,639	\$ 361,639
Building	3,254,749	81,369	3,173,380	3,254,749
Building improvements	1,503,830	778,251	725,579	744,184
Furniture	222,780	218,194	4,586	6,420
Equipment	171,832	170,429	1,403	-
Audio Video Equipment	13,400	2,233	11,167	-
Computer	141,038	125,354	15,684	961
	<b>\$ 5,669,268</b>	<b>\$ 1,375,830</b>	<b>\$ 4,293,438</b>	<b>\$ 4,367,953</b>

On December 27, 2019 the organization purchased its previously leased premises at 180 Shaw Street - Units B01 and 201. The leasehold improvements were then reclassified as building improvements and are being amortized at the same rate as the building. No amortization was recorded on the building in the prior year as the closing date on the purchase was just before the year end.

# Sketch Working Arts for Street Involved and Homeless Youth

## Notes to Financial Statements

December 31, 2020

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### 4. Deferred contributions

Deferred contributions represent unspent externally restricted donations received by the organization related to activities of the subsequent period or specific projects which extend beyond the current fiscal period.

	2020	2019
Balance, beginning of period	\$ 1,108,643	\$ 890,374
Add: Donations/Grants received/receivable during the year	4,342,976	3,103,357
Less: Amounts recorded as revenue in the year	3,675,440	2,885,088
<b>Balance, end of period</b>	<b>\$ 1,776,179</b>	<b>\$ 1,108,643</b>

### 5. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations and grants received for the leasehold improvements related to the renovation costs for Unit B01 as well as donations received in the current year for purchase of premises. The change in the deferred capital contribution balance is as follows:

	2020	2019
Balance, beginning of year	\$ 578,171	\$ 592,996
Capital grants and donations received during the year	280,668	-
Amortization of deferred capital contributions	(21,854)	(14,825)
<b>Balance, end of year</b>	<b>\$ 836,985</b>	<b>\$ 578,171</b>

The amortization of deferred capital contributions is recorded as revenue in the statement of operations. Deferred capital contributions are being amortized at the same rate as the assets, which for building and building improvements is 40 years.

# Sketch Working Arts for Street Involved and Homeless Youth

## Notes to Financial Statements

December 31, 2020

### 6. Loans payable

	2020	2019
<b>Vendor take-back loan</b>		
The vendor take-back loan provided by Toronto Artscape Inc. was incurred for the purchase of units B01 and 201 at 180 Shaw Street. The loan became due during the current fiscal year but has been extended by mutual consent of the parties. Interest is accrued at 7% per annum compounded annually. It is the organization intent to fully repay the loan in fiscal 2021:	\$ 1,077,831	\$ 1,970,000
<b>Promissory note</b>		
The promissory note was advanced by a former director of the organization. The note bears no interest and was repaid during the year.	-	40,000
	<b>\$ 1,077,831</b>	<b>\$ 2,010,000</b>

The organization expects to repay the Vendor take-back loan with funds raised in two campaigns presently in process; The Sale of Community Bonds to raise \$1.4 million (Note 8) and a philanthropic capital campaign raise of \$1.52 million (Note 5).

### 7. Mortgage payable

	2020	2019
The mortgage is with Alterna Savings. The interest rate is calculated at 4.45% per annum with blended monthly payments of \$6,058 The mortgage term is 60 months and matures on December 31, 2024.		
The advance on the mortgage is:	\$ 1,075,331	\$ 1,100,000
Principal due within one year	25,803	24,684
	<b>\$ 1,049,528</b>	<b>\$ 1,075,316</b>

Principal repayments until maturity are estimated as follows:

2021	\$ 25,803
2022	26,963
2023	28,177
2024	994,388
	<b>\$ 1,075,331</b>

# Sketch Working Arts for Street Involved and Homeless Youth

## Notes to Financial Statements

December 31, 2020

### 8. Charitable bonds payable

At December 31, 2020 the organization had \$818,500 of charitable bonds outstanding. The classes of bonds are outlined below and mature at various dates ranging from February 14, 2023 to December 4, 2027. Interest accrues at the outlined specified rates per year, calculated annually in arrears. Interest is paid on or before the 31st day of December each year. The principal repayment may be prepaid by Sketch Working Arts at its option, in whole or in part, at any time, without penalty, but including interest accrued to the date of prepayment. The bonds are non-redeemable by the bond holder during the term, except in extraordinary circumstances and with the approval of the board of directors of Sketch Working Arts. The bonds are secured by charges in favour of the Trustee (Tapestry Community Capital) for the benefit of all investors who are holders of these bonds, on the Building Units and equipment held by Sketch Working Arts.

	2020	2019
Series A SWA Home Bonds - 4% on 5 year term	\$ 300,000	\$ -
Series B SWA Home Bonds - 4.5% on 7 year term	35,000	-
Series C SWA Home Bonds - 4% on 5 year term	415,000	-
Series D SWA Home Bonds - 3% on 3 year term	68,500	-
	<b>\$ 818,500</b>	<b>\$ -</b>

The aggregate future maturities of the charitable bonds are as follows:

2021	\$ -
2022	-
2023	68,500
2024	-
2025	715,000
2026 and thereafter	35,000
	<b>\$ 818,500</b>

Bond interest expense in 2020 totaled \$10,101.

### 9. Ontario Arts Council funding

Funding received from the Ontario Arts Council for the support programs operated by the organization are as follows:

	2020	2019
Multi-year operating grant	\$ 101,663	\$ 110,503
Project grants	18,583	40,182
	<b>\$ 120,246</b>	<b>\$ 150,685</b>

# Sketch Working Arts for Street Involved and Homeless Youth

## Notes to Financial Statements

December 31, 2020

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### 10. Toronto Arts Council funding

Funding received from the Toronto Arts Council for the support programs operated by the organization are as follows:

	2020	2019
<b>Annual Operating</b>		
Annual Operating Grant	\$ 110,000	\$ 105,000
<b>Youth Project Grants</b>		
It's All Queer Pride	6,290	-
Open Door Project	19,500	41,800
ArtReach Toronto	63,392	57,594
	<b>\$ 199,182</b>	<b>\$ 204,394</b>

### 11. Donations-in-kind

Tax receipts have been provided for donations in kind which have been valued at cost or fair market value and they have been allocated to the following expense categories.

	2020	2019
Materials and program costs	\$ 6,775	\$ 8,749

### 12. Financial instruments risk exposure

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

#### 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 organization's main credit risks relate to accounts receivable, however the risk is limited due to the nature of its accounts receivable. Contributions are not recorded in receivables unless collection is reasonably assured. The organization has not had issues with these collections over the past several years. The allowance for doubtful accounts is \$Nil (2019 - \$Nil)



# Sketch Working Arts for Street Involved and Homeless Youth

## Notes to Financial Statements

December 31, 2020

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### 12. Financial instruments risk exposure (continued)

#### **Liquidity risk**

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its accounts payable, charitable bonds payable, loans payable and mortgage payable (Notes 6, 7 and 8). The organization expects to meet these obligations as they come due through sufficient cash flow from operations. The organization has not had issues with meeting obligations in the past several years.

#### **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

#### *Interest rate risk*

Interest rate risk is the risk that the future value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is subject to interest rate risk with respect to its line of credit, loans payable and mortgage payable as described in Notes 2, 6 and 7. Specifically, the organization is exposed to fair value risk due to changes in market rates of interest at the time of interest calculation.

### 13. Covid-19

On March 11, 2020, the World Health Organization declared Covid-19 a global pandemic. On March 17, 2020, the Province of Ontario invoked the Emergency Management and Civil Protection Act. The full impact of the Covid-19 outbreak continues to evolve at the date of this report. An estimate of the financial effect on the organization cannot be made at this time. Management has proactively taken steps to continue delivery of programs and services during the pandemic ensuring the safety of all staff and participants.

### 14. Government assistance related to Covid-19

The organization has applied for and received Government assistance related to the Covid-19 pandemic under the Canada Emergency Wage Subsidy (CEWS) program, as well as the Canada Emergency Rent Subsidy (CERS) program. The CEWS program provides varying wage subsidy rates based on government outlined subsidy periods commencing March 15, 2020. Similarly the CERS program provides a subsidy to cover part of the organizations property insurance and mortgage interest, commencing September 27, 2020. The company has applied for all subsidies eligible during the fiscal year. For the fiscal year ended December 31, 2020, the company is eligible for \$588,795 in subsidies from the CEWS program and \$12,500 in subsidies from the CERS program, both of which are recognized in the statement of operations under government subsidies.