

ONTARIO MOTOR COACH ASSOCIATION
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017
(Unaudited)

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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

TO THE MEMBERS OF ONTARIO MOTOR COACH ASSOCIATION

We have reviewed the accompanying financial statements of Ontario Motor Coach Association, which comprise the balance sheet as at December 31, 2017, and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require that we comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the organization, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Ontario Motor Coach Association as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

Toronto, Ontario
April 24, 2018

ONTARIO MOTOR COACH ASSOCIATION

BALANCE SHEET

AS AT DECEMBER 31, 2017

(Unaudited)

	2017	2016
ASSETS		
Current assets		
Cash	\$ 77,045	\$ 85,686
Investments (<i>note 2</i>)	867,386	843,982
Accounts receivable (<i>note 3</i>)	142,692	113,138
Prepaid expenses	26,832	42,561
	1,113,955	1,085,367
Long-term assets		
Interests in joint arrangements (<i>note 4</i>)	59,755	36,693
Capital assets (<i>note 5</i>)	90,142	46,162
Trust assets (<i>note 6</i>)	98,377	118,272
	248,274	201,127
	\$ 1,362,229	\$ 1,286,494
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (<i>note 7</i>)	113,719	89,834
Deficiency in GroupConnect Management Inc. (<i>note 8</i>)	-	70,233
	113,719	160,067
Long-term liabilities		
Trust liabilities (<i>note 6</i>)	98,377	118,272
	212,096	278,339
NET ASSETS		
Invested in capital assets	90,142	46,162
Educational Development Fund	147,933	164,740
Unrestricted net assets	912,058	797,253
	1,150,133	1,008,155
	\$ 1,362,229	\$ 1,286,494

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board:

_____, Director _____, Director

ONTARIO MOTOR COACH ASSOCIATION

STATEMENT OF REVENUES AND EXPENSES

YEAR ENDED DECEMBER 31, 2017

(Unaudited)

	2017	2016
Revenues		
Membership fees	\$ 388,954	\$ 339,279
Services	620,039	614,140
Meetings	428,512	479,742
Other (<i>note 11</i>)	77,706	61,201
Administrative fees	<u>60,000</u>	60,000
	1,575,211	1,554,362
Expenses (<i>note 12</i>)		
Administration	822,629	742,580
Services	382,047	388,467
Meetings and travel	374,890	419,388
Other/industry	<u>86,828</u>	79,927
	1,666,394	1,630,362
Deficiency of revenues over expenses before the following	(91,183)	(76,000)
Depreciation	(24,417)	(9,650)
Investment income (<i>note 10</i>)	74,801	38,704
Share of income from interests in joint arrangements (<i>note 4</i>)	<u>83,062</u>	51,332
Excess of revenues over expenses from continuing operations for the year	42,263	4,386
Share of income - GroupConnect Management Inc. (<i>note 8</i>)	54,552	4,911
Write off equity investments in GroupConnect Management Inc. (<i>note 8</i>)	45,163	-
Excess of revenues over expenses for the year	\$ 141,978	\$ 9,297

The accompanying notes are an integral part of these financial statements

ONTARIO MOTOR COACH ASSOCIATION

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2017

(Unaudited)

	Invested in Capital Assets	Educational Development Fund	Unrestricted	Total
2017				
Balance - at beginning of year	\$ 46,162	\$ 164,740	\$ 797,253	\$ 1,008,155
Excess of revenues over expenses for the year	-	-	141,978	141,978
Inter-fund transfers representing:				
Depreciation	(24,417)	-	24,417	-
Purchase of capital assets (<i>note 5</i>)	68,397	-	(68,397)	-
From unrestricted net assets	-	8,459	(8,459)	-
Digital advertising campaign	-	(25,266)	25,266	-
Balance - at end of year	90,142	147,933	912,058	1,150,133
2016				
Balance - at beginning of year	9,097	161,755	828,006	998,858
Excess of revenues over expenses for the year	-	-	9,297	9,297
Inter-fund transfers representing:				
Depreciation	(9,650)	-	9,650	-
Purchase of capital assets (<i>note 5</i>)	46,715	-	(46,715)	-
From unrestricted net assets	-	2,985	(2,985)	-
Balance - at end of year	\$ 46,162	\$ 164,740	\$ 797,253	\$ 1,008,155

The accompanying notes are an integral part of these financial statements

ONTARIO MOTOR COACH ASSOCIATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

(Unaudited)

	2017	2016
Cash flows from operating activities		
Cash received from members	\$ 448,954	\$ 399,279
Cash received from services	600,925	603,094
Cash received from meetings and conferences	418,071	523,926
Cash received from other activities	77,706	61,201
Interest and investment trust fund distributions received	70,734	29,598
Cash paid to employees and suppliers	<u>(1,626,779)</u>	<u>(1,613,213)</u>
	(10,389)	3,885
Cash flows from investing activities		
Purchase of capital assets (<i>note 5</i>)	(68,397)	(46,715)
Proceeds from sale of investments	339,186	165,754
Purchase of investments	<u>(358,523)</u>	<u>(146,248)</u>
Distributions from Ontario Transportation Expo (<i>note 4</i>)	60,000	42,000
Distributions from GroupConnect	<u>29,482</u>	<u>-</u>
	1,748	14,791
Change in cash during the year	(8,641)	18,676
Cash - at beginning of year	85,686	67,010
Cash - at end of year	<u>\$ 77,045</u>	<u>\$ 85,686</u>

The accompanying notes are an integral part of these financial statements

Draft

ONTARIO MOTOR COACH ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(Unaudited)

The objective of the Ontario Motor Coach Association ("OMCA" or the "Association") is to promote and further the interests of the inter-city bus industry in Ontario.

The Association is incorporated under the Corporations Act (Ontario) as a non-profit organization without share capital and, as such, is generally exempt from income taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Basis of Presentation

These financial statements do not include the assets, liabilities and operations of OMCA's foreign related company, GroupConnect Management Inc., in which the Association had 50% interest and was dissolved during the year, and the interests in joint arrangements (PRIDE Consortium and Ontario Transportation Expo) in which it has a 33% interest. The Association's investment in its related company and its interests in joint arrangements are accounted for under the equity method. Under the equity method, the investment is initially recorded at cost and adjustments are made to include the Association's share of net income for the year. These adjustments are included in the Association's net income. The amount of the investment is reduced by any dividend received or receivable from the related company and distributions received or receivable from the joint arrangements. The pertinent information of GroupConnect Inc. disclosed in note 8 and for PRIDE Consortium and Ontario Transportation Expo in note 4 to these financial statements.

Unrestricted Fund

The unrestricted net assets account for the day-to-day service delivery activities of the Association.

Educational Development Fund

The educational development fund is a Board designated fund for the purpose to champion the development of students pursuing a career in the motor coach and tour/travel industry, employees of OMCA member organizations and awareness of the motor coach and tour/travel industry as a whole.

Net Assets Invested in Capital Assets

Net assets invested in capital assets comprises the net book value of capital assets.

Revenue Recognition

Membership fees are recognized as revenue on a calendar year basis. Membership fees received in the current year, but which are applicable to the subsequent year, are recorded as deferred revenue and will be recognized for as income in the year to which they pertain.

Revenue from services and administrative fees are recognized when services are performed.

Revenue from meetings is recognized when the event takes place.

Revenues and expenses from special and fund-raising events (included in other revenue) are recorded in the period in which the event takes place.

ONTARIO MOTOR COACH ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Magazine and resource guide royalties (included in other revenue) are recognized as revenue as earned.

All other income is recognized as revenue when services are performed or goods have been delivered.

Investment income is comprised of interest, dividends, and realized and unrealized gains and losses. Interest income is recorded as revenue on the accrual basis. Dividends are recorded as revenue when declared. Realized gains and losses are recognized when the transactions occur. Unrealized gains and losses which reflect the changes in fair value during the period are recognized at each reporting date and included in current year income.

Allocation of Expenses

Salaries and benefits are allocated based on time spent by staff members on different activities (see note 12).

Financial Assets and Liabilities

The Association initially measures its financial assets and liabilities at fair value. The Association subsequently measures all its financial assets and financial liabilities at amortized cost, except for its investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the Statement of Revenues and Expenses. Fair values are determined by reference to published price quotations in active markets.

Amortized cost is the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between the initial amount and the maturity amount, and minus any reduction for impairment.

Financial assets and liabilities measured at amortized cost include cash, accounts receivable, accounts payable and accrued liabilities and trust assets and liabilities.

Capital Assets

Capital assets are recorded at cost and depreciated on a straight line basis over its estimated useful life as follows:

Office furniture	- 10 years
Office and display equipment	- 5 years
Computer equipment	- 3 years
Computer software	- 3 years
Leasehold improvements	- Term of the lease

The above rates are reviewed annually to assess ongoing appropriateness. Any changes are adjusted on a prospective basis. If there is an indication that the assets may be impaired, an impairment test is performed that compares carrying amount to net recoverable amount. There were no impairment indicators in 2017.

ONTARIO MOTOR COACH ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the balance sheet date. Revenues and expenses are translated from foreign currencies at the exchange rates prevailing on the transaction date. Any resulting realized and unrealized gains or losses are included in income for the year.

Revenue and expenses of the Association's foreign related company are translated into Canadian dollars using the average rate of exchange for the year.

Contributed Goods and Services

Contributed goods and services are not recorded in the accounts of the Association, except when fair value of such goods and services can reasonably be established and when the goods and services are normally purchased by the Association and would be paid for if not contributed.

Use of Estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

Actual results could differ from these estimates, the impact of which would be recorded in future affected periods.

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ONTARIO MOTOR COACH ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(Unaudited)

2. INVESTMENTS

Details of investments are as follows:

Quantity			2017	2016
2017	2016		2017	2016
3,086	2,646	Thornmark Alpha Fund O-Class	\$ 58,506	\$ 49,709
8,408	9,887	Thornmark Dividend & Income Fund O-Class	170,789	192,724
21,133	21,333	Thornmark Enhanced Equity Fund O-Class	324,924	330,850
5,980	-	iShares Core Canadian Universe Bond ETF	185,320	-
2,184	-	Algonquin Fund F Class	25,663	-
9,855	-	RP Strategic Income Plus Fund	102,184	-
-	35,367	Altamira High-Interest Cash Performer	-	35,367
-	4,400	Ishares Canadian Short Term Bond Index	-	123,420
-	3,595	Ishares Canadian Universe Bond Index	-	111,912
			\$ 867,386	\$ 843,982

Investment Risk Management

Risk management relates to the understanding and active management of risks associated with all areas of the Association's activities and operations. Investments are primarily exposed to interest rate and other price risks. The Association has formal policies and procedures for investment transactions and the majority of investments are made on the advice of the portfolio manager.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income investments held by the Association. The value of fixed income investments will generally rise if interest rates fall and decrease if interest rates rise. The Association is not exposed to significant interest rates risk.

Other Price Risk

The Association is exposed to other price risk, which is the potential loss that the Association may incur with respect to the changes in fair value of investments. The fair value of investments will fluctuate because of changes in market price whether those changes are caused by factors specific to the individual investments, or its issuers or factors affecting all investments traded in the market.

3. ACCOUNTS RECEIVABLE

As at December 31, 2017, there is no carrying amount of impaired receivables (2016 - \$Nil). No provision for doubtful accounts receivable is set up as most of the accounts receivable have been collected after the year end.

ONTARIO MOTOR COACH ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(Unaudited)

4. INTERESTS IN JOINT ARRANGEMENTS

The Association is a member of PRIDE Consortium ("PRIDE") and Ontario Transportation Expo ("OTE") which, along with two other associations, oversees these programs. Details of the Association's 33% interest in these joint arrangements are as follows:

Investment in joint arrangements	2017	2016
PRIDE	44,812	21,791
OTE	14,943	14,902
	59,755	36,693
Share of Income (loss) from joint arrangements		
PRIDE	23,021	10,235
OTE	60,041	41,097
	83,062	51,332

Assets, liabilities, revenues and expenses and cash flows of PRIDE and OTE as at December 31 and for the year then ended are as follows:

	2017	2016		
PRIDE Consortium				
Financial Position				
Assets				
Cash	\$ 39,713	\$ 119,138	\$ 42,684	\$ 128,053
Other assets	24,197	72,590	3,212	9,636
Liabilities	(19,098)	(57,292)	(24,105)	(72,316)
Total net assets	44,812	134,436	21,791	65,373
Revenues and Expenses				
Total revenues	112,648	337,944	79,235	237,704
Total expenses	89,627	268,880	69,000	206,999
Excess of revenues over expenses for the year	23,021	69,064	10,235	30,705
Statement of Cash Flows				
Cash flows from operating activities				
Cash received from registration fees	97,137	291,412	89,898	269,694
Cash paid to suppliers	(100,109)	(300,327)	(70,245)	(210,735)
Change in cash during the year	\$ (2,972)	\$ (8,915)	\$ 19,653	\$ 58,959

ONTARIO MOTOR COACH ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(Unaudited)

4. INTERESTS IN JOINT ARRANGEMENTS (continued)

	<i>2017</i>	<i>2016</i>	
<i>Ontario Transportation Expo</i>			
Financial Position	33 %	100 %	33 %
Assets			100 %
Bank overdraft	\$ (6,920)	\$ (20,761)	\$ (3,260)
Other current assets	24,534	73,602	19,173
Liabilities	(2,671)	(8,013)	(1,011)
Total net assets	14,943	44,828	14,902
			44,705
<i>Revenue and Expenses</i>			
Revenue	109,375	328,124	105,723
Expenses	49,334	148,001	64,626
Excess of revenue over expenses for the year	\$ 60,041	\$ 180,123	\$ 41,097
			\$ 123,291
<i>Statement of Cash Flows</i>			
Cash flows from operating activities			
Cash received from the Expo	110,879	332,636	103,885
Cash paid to suppliers	(54,539)	(163,616)	(72,038)
	56,340	169,020	31,847
Cash flows from investing activity			
Distributions to participants	(60,000)	(180,000)	(42,000)
Change in cash during the year	\$ (3,660)	\$ (10,980)	\$ (10,153)
			\$ (30,458)

5. CAPITAL ASSETS

Details of capital assets are as follows:

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value</i>
<i>2017</i>			
Office furniture	\$ 19,107	\$ 9,186	\$ 9,921
Office and display equipment	7,308	4,820	2,488
Computer equipment	52,751	46,222	6,529
Computer software	178,005	171,934	6,071
Leasehold improvements	79,754	14,621	65,133
	\$ 336,925	\$ 246,783	\$ 90,142

ONTARIO MOTOR COACH ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(Unaudited)

5. CAPITAL ASSETS (*continued*)

	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value</i>
2016			
Office furniture	\$ 14,084	\$ 7,549	\$ 6,535
Office and display equipment	6,009	3,873	2,136
Computer equipment	52,751	39,010	13,741
Computer software	171,935	171,935	-
Leasehold improvements	23,750		23,750
	268,529	222,367	46,162

Details of capital asset additions are as follows:

	<i>2017</i>	<i>2016</i>
Office furniture	\$ 5,023	\$ 1,637
Office and display equipment	1,299	1,738
Computer equipment	-	19,590
Computer software	6,071	-
Leasehold improvements	56,004	23,750
	\$ 68,397	\$ 46,715

6. TRUST ASSETS AND LIABILITIES

The Association provides accounting and administration services to PRIDE Consortium and Ontario Transportation Expo, including the management of all banking transactions. The trust assets and liabilities represent the funds held on behalf of PRIDE Consortium and Ontario Transportation Expo.

	<i>2017</i>	<i>2016</i>
Funds held in trust at December 31		
PRIDE Consortium	119,138	128,053
Ontario Transportation Expo	(20,761)	(9,781)
	\$ 98,377	\$ 118,272

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include government remittances totalling \$4,390 at December 31, 2017 (\$13,839 in 2016).

ONTARIO MOTOR COACH ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(Unaudited)

8. GROUPCONNECT MANAGEMENT INC.

GroupConnect Management Inc. ("GroupConnect") was incorporated on May 19, 2009 with the Secretary of State of Delaware (the "Secretary of State") in the United States.

The voting shares of GroupConnect were 50% owned by the Association and 50% owned by the American Bus Association ("ABA").

During the year, GroupConnect ceased all business operations and was dissolved as approved by the Secretary of State effective December 19, 2017.

Details are as follows:

Deficiency in GroupConnect Management Inc.	2017	2016
Balance at beginning of year	\$ (70,233)	\$ (83,483)
Net income for the year	54,552	4,912
Foreign exchange translation gain	-	8,338
Final distribution from GroupConnect to OMCA	(29,482)	-
Write off equity investments in GroupConnect Management Inc.	45,163	-
Balance at end of year	-	(70,233)

	2017		2016	
	50%	100%	50%	100%

FINANCIAL POSITION

Total assets	-	-	31,380	62,759
Total liabilities	-	-	741,623	1,483,246
Shareholders' deficiency	-	-	(710,243)	(1,420,487)
	-	-	31,380	62,759

RESULTS OF OPERATIONS

Total revenues	63,250	126,500	53,097	106,194
Total expenses	8,698	17,396	48,186	96,372
Net income (loss) for the year	54,552	109,104	4,911	9,822

CASH FLOWS

Cash flows from operating activities				
Cash received from members	7,030	14,059	88,075	176,150
Cash paid to suppliers	(5,092)	(10,182)	(61,004)	(122,008)
	1,938	3,877	27,071	54,142
Cash flows from financing activities				
Distributions to investors	(29,482)	(58,964)	-	-
	(29,482)	(58,964)	-	-
(Decrease) increase in cash for the year	\$ (27,544)	\$ (55,087)	\$ 27,071	\$ 54,142

ONTARIO MOTOR COACH ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(Unaudited)

9. LEASE COMMITMENTS

The Association has entered into a lease for a new office premises at 320 North Queen Street, Toronto, which commenced on February 1, 2017 and expires on January 31, 2022. The Association has also entered into leases for equipment which expire April 30, 2020, and October 31, 2022.

The aggregate annual lease payments are as follows:

Fiscal year	2018	\$ 21,017
	2019	21,017
	2020	21,017
	2021	19,159
	2022	2,164

In addition to the rental of the premises, the Association is liable for its proportionate share of operating costs, which amounted to \$39,663 (\$27,634 in 2016).

10. INVESTMENT INCOME

Details of investment income are as follows:

	2017	2016
Interest and dividends	\$ 70,734	\$ 29,598
Realized gains (loss) on sale of investments	1,947	(1,145)
Unrealized gains on investments	2,120	10,251
	<hr/> \$ 74,801	<hr/> \$ 38,704

11. OTHER INCOME

Details of other income are as follows:

	2017	2016
Royalty	28,256	27,065
Ontario Transportation Expo management fee	17,000	-
Silent auction and ticket sales to events	23,450	31,713
Other	9,000	2,423
	<hr/> 77,706	<hr/> 61,201

ONTARIO MOTOR COACH ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(Unaudited)

12. ALLOCATED EXPENSES

The expenses reported in the statement of revenues and expenses include an allocation of subcontractors and salaries and benefits expenses as follows::

	2017	2016
Subcontractors		
Administration	24,240	113,469
Meetings and travel	1,963	6,303
Other/Industry	-	5,000
	28,166	124,772
Salaries and benefits		
Administration	546,093	429,205
Services	5,000	5,000
Meetings and travel	100,000	125,000
	651,093	559,205
Total allocated expenses	679,259	683,977

13. FINANCIAL INSTRUMENT RISK MANAGEMENT

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the Association's risk exposure at the balance sheet 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 Association's main credit risks relate to cash and accounts receivable. The Association mitigates credit risk in respect of accounts receivable by closely monitoring its accounts and following up on collection. The Association reduces its exposure to the credit risk of cash by maintaining balances with a Canadian chartered bank.

Liquidity Risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its current liabilities and commitments. The Association expects to meet these obligations as they come due by generating sufficient cash flow from operations.

ONTARIO MOTOR COACH ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

(Unaudited)

13. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

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 and other price risks are disclosed in note 2.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. A portion of the Association's membership fees and meetings revenue are in foreign currency. Consequently cash is exposed to foreign currency fluctuations. At December 31, 2017, cash of \$32,143 (\$29,441 - 2016) are denominated in foreign currency and converted into Canadian dollars. The Association's policy is to monitor the foreign currency content of their net assets

Draft - April 2018