

**THE GEORGIAN BAY TRUST
FOUNDATION INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2021**

Draft for discussion purposes only

THE GEORGIAN BAY TRUST FOUNDATION INC.

DECEMBER 31, 2021

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations and Changes in Net Assets	4
Schedule of Expenditures	5 - 6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 15

Draft for discussion purposes only

INDEPENDENT AUDITOR'S REPORT

To the Members of
The Georgian Bay Trust Foundation Inc.

Qualified Opinion

We have audited the financial statements of The Georgian Bay Trust Foundation Inc., which comprise the statement of financial position as at December 31, 2021, statement of operations and 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, except for the possible 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 Georgian Bay Trust Foundation Inc. as at December 31, 2021 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.

Basis for Qualified Opinion

In common with many charitable organizations, The Georgian Bay Trust Foundation Inc. derives revenue from donations and fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of The Georgian Bay Trust Foundation Inc. and we were not able to determine whether any adjustments might be necessary to donation and fundraising revenue, excess of revenues over expenditures, and cash flows from operations for the year ended December 31, 2021, current assets and net assets as at December 31, 2021.

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 fulfilled our 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 generally accepted auditing standards, 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.

INDEPENDENT AUDITOR'S REPORT, continued

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 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.

THE GEORGIAN BAY TRUST FOUNDATION INC.

STATEMENT OF FINANCIAL POSITION

	December 31	
	<u>2021</u>	<u>2020</u>
	\$	\$
ASSETS		
CURRENT		
Cash	318,803	311,294
Sundry receivables	77,000	75,532
HST rebate receivable	8,320	41,888
Prepays	<u>28,654</u>	<u>7,866</u>
	432,777	436,580
STEWARDSHIP FUNDS AND ENDOWMENT (Note 2)	1,796,961	1,635,893
SHEILA MACFEETERS MEMORIAL FUND (Note 2)	205,288	200,288
WALLY AND MARILYN KING AND FAMILY FUND (Note 2)	118,115	115,115
JOHN CATTO CONSERVATION FUND (Note 2)	205,000	200,000
CONSERVATION LANDS SECUREMENT FUND (Note 2)	562,822	553,877
CONSERVATION WORKING FUND (Note 2)	2,667,445	1,000,000
PROPERTY AND EQUIPMENT (Note 3)	<u>39,020,391</u>	<u>37,946,624</u>
	<u>45,008,799</u>	<u>42,088,377</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	<u>25,519</u>	<u>36,838</u>
NET ASSETS		
UNRESTRICTED NET ASSETS	407,258	399,742
INTERNALLY RESTRICTED NET ASSETS	3,435,267	1,753,877
EXTERNALLY RESTRICTED NET ASSETS	2,120,364	1,951,296
NET ASSETS INVESTED IN PROPERTY	<u>39,020,391</u>	<u>37,946,624</u>
	<u>44,983,280</u>	<u>42,051,539</u>
	<u>45,008,799</u>	<u>42,088,377</u>

See notes to the financial statements.

APPROVED ON BEHALF OF THE BOARD:

_____ MEMBER

_____ MEMBER

_____ DATE

THE GEORGIAN BAY TRUST FOUNDATION INC.

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

	Operating Fund \$	Invested In Property \$	Stewardship Funds and Endowment \$	Externally Restricted		John Catto Conservation Fund \$	Internally Restricted		Year Ended December 31	
				Sheila MacFeeters Memorial Fund \$	Wally and Marilyn King and Family Fund \$		Conservation Lands Securement Fund \$	Conservation Working Fund \$	2021 Total \$	2020 Total \$
REVENUES										
Award - GLBC	58,768	-	-	-	-	-	-	747,162	805,930	76,092
Donations - Land	-	1,014,000	-	-	-	-	-	-	1,014,000	210,000
Donations - Stewardship, conservation and land acquisition	7,071	-	161,068	-	5,000	-	11,995	-	185,134	295,028
Government grants	260,184	-	-	-	-	-	-	-	260,184	354,226
Donations	327,379	-	-	-	-	-	-	50,000	377,379	566,130
Sales - Georgian Bay book	2,059	-	-	-	-	-	-	-	2,059	3,100
Events	113,967	-	-	-	-	-	-	-	113,967	84,874
Investment	917,773	-	-	-	-	-	-	-	917,773	400,610
	<u>1,687,201</u>	<u>1,014,000</u>	<u>161,068</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>11,995</u>	<u>797,162</u>	<u>3,676,426</u>	<u>1,990,060</u>
EXPENDITURES (Schedules pages 5 and 6)										
Land protection	252,243	-	-	-	-	-	-	-	252,243	190,994
Stewardship	167,777	-	-	-	-	-	-	-	167,777	153,226
Communications and education	101,106	-	-	-	-	-	-	-	101,106	79,545
Fundraising	84,121	-	-	-	-	-	-	-	84,121	72,066
Art auction	41,996	-	-	-	-	-	-	-	41,996	37,158
Project management, dues, conference and training	97,442	-	-	-	-	-	-	-	97,442	76,219
	<u>744,685</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>744,685</u>	<u>609,208</u>
EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR	942,516	1,014,000	161,068	-	5,000	-	11,995	797,162	2,931,741	1,380,852
NET ASSETS BEGINNING OF YEAR	399,742	37,946,624	1,635,893	200,288	115,115	200,000	553,877	1,000,000	42,051,539	40,670,687
INTERFUND TRANSFERS (Note 4)	<u>(935,000)</u>	<u>59,767</u>	<u>-</u>	<u>5,000</u>	<u>(2,000)</u>	<u>5,000</u>	<u>(3,050)</u>	<u>870,283</u>	<u>-</u>	<u>-</u>
NET ASSETS END OF YEAR	<u>407,258</u>	<u>39,020,391</u>	<u>1,796,961</u>	<u>205,288</u>	<u>118,115</u>	<u>205,000</u>	<u>562,822</u>	<u>2,667,445</u>	<u>44,983,280</u>	<u>42,051,539</u>

See notes to the financial statements.

THE GEORGIAN BAY TRUST FOUNDATION INC.

SCHEDULE OF EXPENDITURES

Page 5

	Year Ended December 31	
	<u>2021</u>	<u>2020</u>
	\$	\$
LAND PROTECTION		
Wages, benefits and contract staff	170,320	140,009
Outreach	41,984	9,275
Office and general	17,427	17,597
Professional fees	9,873	12,360
Amortization	5,425	733
Travel and meeting	4,479	8,377
Insurance	<u>2,735</u>	<u>2,643</u>
	<u>252,243</u>	<u>190,994</u>
STEWARDSHIP		
Wages, benefits and contract staff	101,569	80,026
Outreach	35,603	10,849
Travel and meeting	12,567	5,050
Office and general	7,815	9,063
Partnership programs	6,000	6,000
Amortization	4,067	6,035
Professional fees	<u>156</u>	<u>36,203</u>
	<u>167,777</u>	<u>153,226</u>
COMMUNICATIONS AND EDUCATION		
Wages, benefits and contract staff	79,418	60,809
Outreach	11,858	10,882
Office and general	7,020	4,702
Events	1,940	2,844
Travel and meeting	<u>870</u>	<u>308</u>
	<u>101,106</u>	<u>79,545</u>
FUNDRAISING		
Wages, benefits and contract staff	72,816	65,723
Event	4,969	2,857
Office and general	2,776	2,815
Outreach	1,448	630
Book - Georgian Bay	1,275	-
Partnership programs	687	-
Travel and meeting	<u>150</u>	<u>41</u>
	<u>84,121</u>	<u>72,066</u>

See notes to the financial statements.

THE GEORGIAN BAY TRUST FOUNDATION INC.**SCHEDULE OF EXPENDITURES**

Page 6

	Year Ended December 31	
	<u>2021</u>	<u>2020</u>
	\$	\$
ART AUCTION		
Event	36,566	33,177
Wages and benefits	5,280	3,981
Travel and meeting	<u>150</u>	<u>-</u>
	<u>41,996</u>	<u>37,158</u>
PROJECT MANAGEMENT, DUES, CONFERENCE AND TRAINING		
Rent	31,182	31,196
Investment management	28,935	21,488
Professional fees	14,967	14,552
Wages, benefits and contract staff	10,590	5,381
Office and general	9,199	1,328
Insurance	1,801	1,762
Amortization	768	498
Travel and meeting	<u>-</u>	<u>14</u>
	<u>97,442</u>	<u>76,219</u>

See notes to the financial statements.

THE GEORGIAN BAY TRUST FOUNDATION INC.

STATEMENT OF CASH FLOWS

Page 7

	Year Ended December 31	
	<u>2021</u>	<u>2020</u>
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Excess of revenues over expenditures for the year	2,931,741	1,380,852
Adjustments for non-cash items:		
Amortization	9,557	7,330
Donations property - Land	<u>(1,014,000)</u>	<u>(210,000)</u>
	1,927,298	1,178,182
Net changes in non-cash working capital items:		
Sundry receivables	(1,468)	(56,602)
HST rebate receivable	33,568	(33,227)
Prepays	(20,788)	5,698
Accounts payable and accrued liabilities	(11,319)	(2,622)
Cash Provided By Operating Activities	<u>1,927,291</u>	<u>1,091,429</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Stewardship Funds and Endowment	(161,068)	(50,300)
Sheila MacFeeters Memorial Fund	(5,000)	-
Wally and Marilyn King and Family Fund	(3,000)	-
John Catto Conservation Fund	(5,000)	(200,000)
Conservation Lands Securement Fund	(8,945)	-
Conservation Working Fund	(1,667,445)	(350,000)
Purchase of property and equipment	<u>(69,324)</u>	<u>(389,893)</u>
Cash Used In Investing Activities	<u>(1,919,782)</u>	<u>(990,193)</u>
NET INCREASE IN CASH	7,509	101,236
CASH, BEGINNING OF YEAR	<u>311,294</u>	<u>210,058</u>
CASH, END OF YEAR	<u><u>318,803</u></u>	<u><u>311,294</u></u>

See notes to the financial statements.

Nature of Operations

The Georgian Bay Trust Foundation Inc. is a non-profit organization incorporated without share capital and is registered with the Canada Revenue Agency as a charity, within the meaning of the Income Tax Act. The principal activities of the organization include maintaining and managing significant and representative properties in Georgian Bay, educating the public toward conservation and preservation of the landscape, ecology and wildlife of the Georgian Bay area.

Note 1: Significant Accounting Policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

Fund Accounting

The accounts of the organization are maintained in accordance with the principles of fund accounting by which resources for various purposes are classified for accounting and reporting purposes into funds relating to the specific activities and operations. These funds are as follows:

(a) **Operating Fund**

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

(b) **Invested in Property**

This fund reports the assets, liabilities, revenues and expenditures related to the organization's property and equipment.

(c) **Stewardship Funds and Endowment**

This fund reports only externally restricted resources that are to be used to help meet annual costs associated with the stewardship of properties and includes Endowment funds subject to external restrictions stipulating that the resources be maintained permanently.

(d) **Sheila MacFeeters Memorial Fund**

This fund reports externally restricted resources that are to be used exclusively for conservation research and conservation planning purposes. Any release of principal of the fund must be approved by the donor trustee.

THE GEORGIAN BAY TRUST FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

Page 9

Note 1: Significant Accounting Policies - cont'd

Fund Accounting - cont'd

(e) Wally and Marilyn King and Family Fund

This is an externally restricted fund established for the purpose of supporting and providing research, educational programs and opportunities which further advance that part of the organization's stated mission, "to promote the appreciation of this special area". It is the intention that only the income generated from this fund will be used to support the above, but in extraordinary circumstances, the capital may be encroached upon, subject to Board approval.

(f) John Catto Memorial Fund

This internally restricted fund, initiated by the Catto Family, honours the great generosity, long-term guidance and wonderful friendship of John Catto. It recognizes and continues John's commitment to the conservation of Georgian Bay. The funds may be used to support Board approved projects and activities directly related to studying, maintaining, protecting and preserving the natural heritage values and ecosystem health of The Georgian Bay Trust Foundation Inc. protected areas. It is the intention that the capital will only be encroached upon subject to Board approval.

(g) Conservation Lands Securement Fund

This fund consists of internally restricted resources that are to be used to acquire properties or the costs associated with receiving donated properties.

(h) Conservation Working Fund

This fund is an internally restricted fund that was established to provide stability in cash flow and also to provide seed money for new projects or initiatives.

Cash and Cash Equivalents

Cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Property and Equipment

Property and equipment are accounted for at cost or at appraised or assessed value if donated, and amortized over their useful life on a declining balance basis using the following rates:

Equipment	20%
Furniture and fixtures	20%
Computer hardware	30%

THE GEORGIAN BAY TRUST FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

Page 10

Note 1: Significant Accounting Policies - cont'd

Contributed Services

The organization would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Due to the difficulty of compiling these hours, contributed services are not recognized in the financial statements.

Revenue Recognition

The organization uses the restricted fund method of accounting. Contributions for which there is an appropriate restricted fund are recognized as revenue when received. Restricted contributions for which there is not an appropriate restricted fund are recognized in accordance with the deferral method whereby contributions related to expenditures of future periods are deferred and recognized as revenue in the general fund in the period in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue of the general fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment are recognized as revenue in the Endowment Fund.

Investment income earned on Stewardship Funds and Endowment, Sheila MacFeeters Memorial Fund, Wally and Marilyn King and Family Fund and John Catto Conservation Fund resources are recognized as revenue of the Operating Fund when earned.

Financial Instruments

The organization initially measures its financial assets and liabilities at fair value.

The organization subsequently measures all its financial assets and liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the Operating fund in the period incurred.

THE GEORGIAN BAY TRUST FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

Page 11

Note 1: Significant Accounting Policies - cont'd
Financial Instruments - cont'd

Financial assets measured at amortized cost include cash and cash equivalents, HST rebate receivable and sundry receivables.

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

Financial assets measured at fair value are equity instruments held in the Stewardship Funds and Endowment, Sheila MacFeeters Memorial Fund, the Wally and Marilyn King Family Fund, John Catto and Conservation Working Fund.

Impairment

For financial assets measured at amortized cost, the organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in the Operating Fund. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the Operating Fund.

Allocation of Expenses

The organization maintains and manages significant properties in Georgian Bay. The related costs include various administrative expenses. The organization allocates these costs between its programs and activities by identifying the appropriate basis of allocating each component expenditure and applies that basis consistently each year.

Use of Estimates

The preparation of financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenditures for the period covered. The main estimates relate to the impairment of financial assets.

THE GEORGIAN BAY TRUST FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

Page 12

Note 2: Restricted Funds

Major categories of restrictions on funds are as follows:

	December 31	
	<u>2021</u>	<u>2020</u>
	\$	\$
Restricted for stewardship purposes	1,559,461	1,398,393
Stewardship endowment	<u>237,500</u>	<u>237,500</u>
	<u>1,796,961</u>	<u>1,635,893</u>
Lizard Stewardship Fund	18,611	18,611
Andy Griggs Memorial Fund	55,836	55,836
Alexander Stewardship Fund	102,643	102,493
Watson Stewardship Fund	171,297	140,849
Legacy Stewardship Fund	1,072,108	942,238
David & Beverly Stager Stewardship Fund	51,341	51,341
Stewardship Campaign	98,175	98,175
McKenzie Island Steamboat Channel Fund	142,500	142,500
Tadenac Stewardship Fund	35,000	35,000
Rose Island Stewardship Fund	37,100	36,500
Ukraineec Stewardship Fund	5,650	5,650
Halpenny Stewardship Fund	5,500	5,500
Other	<u>1,200</u>	<u>1,200</u>
Stewardship Funds and Endowment	1,796,961	1,635,893
Sheila MacFeeters Memorial Fund	205,288	200,288
Wally and Marilyn King and Family Fund	118,115	115,115
John Catto Conservation Fund	205,000	200,000
Conservation Lands Securement Fund	562,822	553,877
Conservation Working Fund	<u>2,667,445</u>	<u>1,000,000</u>
	<u>5,555,631</u>	<u>3,705,173</u>

These funds consist of the following:

	December 31	
	<u>2021</u>	<u>2020</u>
	\$	\$
Canadian equity instruments	3,277,633	2,050,478
Foreign equity instruments	376,441	323,009
Cash and cash equivalents	<u>1,901,557</u>	<u>1,331,686</u>
	<u>5,555,631</u>	<u>3,705,173</u>

THE GEORGIAN BAY TRUST FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

Page 13

Note 3: Property And Equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>December 31</u>	
	\$	\$	<u>2021</u>	<u>2020</u>
			\$	\$
Land	33,527,554	-	33,527,554	32,960,097
Land easements	<u>5,421,499</u>	-	<u>5,421,499</u>	<u>4,962,499</u>
	38,949,053	-	38,949,053	37,922,596
Equipment	92,164	24,915	67,249	19,072
Furniture and fixtures	8,951	8,082	869	1,087
Computer hardware	<u>10,143</u>	<u>6,923</u>	<u>3,220</u>	<u>3,869</u>
	<u>39,060,311</u>	<u>39,920</u>	<u>39,020,391</u>	<u>37,946,624</u>

Note 4: Interfund Transfers

During the year, the following transfers occurred: \$5,000 was transferred from the Wally and Marilyn King and Family Fund to the Operating Fund to fund bursaries; \$3,050 was transferred from the Conservation Lands Securement Fund and \$59,767 was transferred from the Conservation Working Fund to the Operating Fund related to costs associated with acquiring property and equipment; transfers of \$3,000 to the Wally and Marilyn King and Family Fund, \$5,000 to the John Catto Fund and \$5,000 to the Sheila McFeeters Fund from the Conservation Working Fund to reflect the growth in investments in the current year; and \$940,000 was transferred from the Operating Fund to the Conservation Working Fund. These transfers were approved by the Board of Directors.

Note 5: Contractual Obligations

The organization is obligated under a premises lease to minimum rentals as follows:

2022	\$ 15,000
2023	<u>15,000</u>
	<u>\$ 30,000</u>

Note 6: Financial Instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Credit risk

Credit risk is the risk that one party to a financial transaction will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risk relate to its sundry receivables and HST rebate receivable.

(b) 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 to its trade payables. The organization expects to meet these obligations as they come due by generating sufficient cash flow from operations.

(c) Market risk

Market risk is the risk that the fair value of 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. The organization is mainly exposed to interest rate risk and other price risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed rate instruments subject the organization to risk of changes in fair value. The exposure to this risk also fluctuates as the quantity of fixed rate instruments held changes from year to year.

THE GEORGIAN BAY TRUST FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

Page 15

Note 6: Financial Instruments - cont'd

(ii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The organization is exposed to other price risk through its investments in marketable securities for which the value fluctuates with the quoted market price.

Draft for discussion purposes only