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**CHALICE (CANADA)**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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## INDEPENDENT AUDITORS' REPORT

### To The Members of the Board of Directors of Chalice (Canada)

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We have audited the accompanying financial statements of Chalice (Canada), which comprise the statement of financial position as at June 30, 2016 and the statements of changes in fund balances, operations 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.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Chalice (Canada) as at June 30, 2016 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.

*WB LI LLP*

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#### CHARTERED PROFESSIONAL ACCOUNTANTS

Dartmouth, Nova Scotia

December 2, 2016

**CHALICE (CANADA)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JUNE 30, 2016**

	General Fund	Community Projects Fund	Urgency Fund	Christmas Fund	Endowment Fund	2016 \$	2015 \$
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash	166,239	-	-	-	-	166,239	668,096
Short-term investments (note 3)	4,928,723	-	-	-	-	4,928,723	-
Prepaid expenses and deposits	65,052	-	-	-	-	65,052	14,787
HST receivable	126,060	-	-	-	-	126,060	-
Due from (to) other funds (note 4)	(1,712,854)	1,074,008	483,811	(52,096)	207,131	-	-
	3,573,220	1,074,008	483,811	(52,096)	207,131	5,286,074	682,883
<b>INVESTMENTS (note 3)</b>	2,275,967	-	-	-	-	2,275,967	8,379,376
<b>CAPITAL ASSETS (note 5)</b>	4,630,703	-	-	-	-	4,630,703	3,759,524
	10,479,890	1,074,008	483,811	(52,096)	207,131	12,192,744	12,821,783

**LIABILITIES**

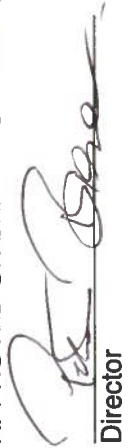
<b>CURRENT LIABILITIES</b>							
Accounts payable and accrued liabilities (including government remittances of \$26,358; 2015 - \$28,130)	702,279	-	-	-	-	702,279	2,200,675
Deferred contributions (note 6)	2,855,742	-	-	-	-	2,855,742	2,749,153
	3,558,021	-	-	-	-	3,558,021	4,949,828
<b>DEFERRED CONTRIBUTIONS (note 6)</b>	398,102	-	-	-	-	398,102	348,883
	3,956,123	-	-	-	-	3,956,123	5,298,711

**FUND BALANCES**

Invested in capital assets	4,630,703	-	-	-	-	4,630,703	3,759,524
Restricted	-	1,074,008	483,811	(52,096)	207,131	1,712,854	2,505,748
Unrestricted general	1,893,064	-	-	-	-	1,893,064	1,257,800
	6,523,767	1,074,008	483,811	(52,096)	207,131	8,236,621	7,523,072
	10,479,890	1,074,008	483,811	(52,096)	207,131	12,192,744	12,821,783

**COMMITMENTS (note 7)**

APPROVED ON BEHALF OF THE BOARD

  
 Director

  
 Director

**CHALICE (CANADA)**  
**STATEMENT OF CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Unrestricted Funds		Restricted Funds				2015 \$	
	General Fund	Invested in Capital Assets	Community Projects Fund	Urgency Fund	Christmas Fund	Endowment Fund		2016 \$
Fund balances - beginning of year	1,257,800	3,759,524	1,310,379	942,451	106,485	146,433	7,523,072	6,103,510
Excess (deficiency) of revenues over expenditures	1,870,442	(214,987)	(385,383)	(458,640)	(158,581)	60,698	713,549	1,419,562
Investment in capital assets	(1,086,166)	1,086,166	-	-	-	-	-	-
Interfund transfers (note 8)	(149,012)	-	149,012	-	-	-	-	-
<b>Fund balances - end of year</b>	<b>1,893,064</b>	<b>4,630,703</b>	<b>1,074,008</b>	<b>483,811</b>	<b>(52,096)</b>	<b>207,131</b>	<b>8,236,621</b>	<b>7,523,072</b>

**CHALICE (CANADA)**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Community Projects Fund	Urgency Fund	Christmas Fund	Endowment Fund	2016 \$	2015 \$
<b>REVENUES</b>							
Sponsorship contributions	20,101,707	-	-	-	-	20,101,707	18,386,217
Special gift contributions	577,997	-	-	-	-	577,997	567,913
General contributions	972,705	-	-	-	-	972,705	1,093,584
Community projects fund contributions	-	595,249	-	-	-	595,249	1,136,064
Urgency fund contributions	-	-	131,995	-	-	131,995	127,672
Christmas donations	-	-	-	584,044	-	584,044	661,979
Endowment contributions	-	-	-	-	60,698	60,698	30,500
Scholarship contributions	-	-	-	-	-	-	3,565
Catalogue contributions	1,125,816	-	-	-	-	1,125,816	1,186,729
Investment income	222,048	-	-	-	-	222,048	255,803
Unrealized loss on investments	(264,183)	-	-	-	-	(264,183)	(48,823)
Realized gain on disposal of investments	204,883	-	-	-	-	204,883	-
Fundraising contributions and other revenues	1,026,007	-	-	-	-	1,026,007	1,136,172
Prayer ministry contributions	5,689	-	-	-	-	5,689	6,469
Mission trip contributions	198,203	-	-	-	-	198,203	119,369
	<b>24,170,872</b>	<b>595,249</b>	<b>131,995</b>	<b>584,044</b>	<b>60,698</b>	<b>25,542,858</b>	<b>24,663,213</b>
<b>EXPENDITURES</b>							
Program expenditures (see schedule)	20,020,133	980,632	590,635	742,625	-	22,334,025	21,081,969
Marketing expenditures (see schedule)	1,165,098	-	-	-	-	1,165,098	1,073,103
Administrative expenditures (see schedule)	1,115,199	-	-	-	-	1,115,199	933,449
Amortization	214,987	-	-	-	-	214,987	155,130
	<b>22,515,417</b>	<b>980,632</b>	<b>590,635</b>	<b>742,625</b>	<b>-</b>	<b>24,829,309</b>	<b>23,243,651</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>1,655,455</b>	<b>(385,383)</b>	<b>(458,640)</b>	<b>(158,581)</b>	<b>60,698</b>	<b>713,549</b>	<b>1,419,562</b>

**CHALICE (CANADA)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Community Projects Fund	Urgency Fund	Christmas Fund	Endowment Fund	2016 \$	2015 \$
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>							
Cash provided from operations	1,655,455	(385,383)	(458,640)	(158,581)	60,698	713,549	1,419,562
Excess (deficiency) of revenues over expenditures	214,987	-	-	-	-	214,987	155,130
Items in earnings not involving cash	264,183	-	-	-	-	264,183	48,823
Amortization	(204,883)	-	-	-	-	(204,883)	-
Unrealized loss on investments	-	-	-	-	-	-	(5,226)
Realized gain on disposal of investments	-	-	-	-	-	-	-
Contributed investments	-	-	-	-	-	-	-
Change in non-cash working capital balances	1,929,742	(385,383)	(458,640)	(158,581)	60,698	987,836	1,618,289
Prepaid expenses and deposits	(50,265)	-	-	-	-	(50,265)	5,684
HST receivable	(126,060)	-	-	-	-	(126,060)	24,912
Accounts payable and accrued liabilities	(1,498,396)	-	-	-	-	(1,498,396)	(3,656,456)
Deferred contributions	155,808	-	-	-	-	155,808	56,299
	410,829	(385,383)	(458,640)	(158,581)	60,698	(531,077)	(1,951,272)
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>							
Advances from (to) other funds	(792,894)	236,371	458,640	158,581	(60,698)	-	-
Interfund transfers	(149,012)	149,012	-	-	-	-	-
	(941,906)	385,383	458,640	158,581	(60,698)	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Proceeds on disposal of investments	1,146,683	-	-	-	-	1,146,683	4,799,871
Purchase of investments	(31,297)	-	-	-	-	(31,297)	(256,646)
Investment in capital assets	(1,086,166)	-	-	-	-	(1,086,166)	(2,166,409)
	29,220	-	-	-	-	29,220	2,376,816
<b>CHANGE IN CASH DURING THE YEAR</b>							
	(501,857)	-	-	-	-	(501,857)	425,543
CASH - beginning of the year	668,096	-	-	-	-	668,096	242,553
CASH - end of the year	166,239	-	-	-	-	166,239	668,096

**CHALICE (CANADA)**  
**SCHEDULE OF GENERAL FUND EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Program expenditures	Marketing expenditures	Administrative expenditures	2016 \$	2015 \$
Payments to overseas sites	18,358,430	-	-	18,358,430	17,978,851
Wages and salaries	1,128,014	600,154	575,036	2,303,204	2,316,349
Postage and courier	120,084	86,163	81,352	287,599	261,628
Bank charges and interest	30,705	146,008	7,475	184,188	203,846
Office	9,646	3,797	167,549	180,992	139,482
Mission trips	126,974	-	-	126,974	107,608
Printing	23,516	72,461	29,654	125,631	95,409
Travel and meetings	59,841	10,010	4,229	74,080	66,792
Printing and postage - newsletter	-	71,650	-	71,650	70,695
Professional fees	1,980	5,317	62,395	69,692	103,049
Rent and utilities	10,761	331	57,796	68,888	42,319
Property taxes	-	-	65,795	65,795	48,337
Miscellaneous	6,854	46,093	9,114	62,061	31,395
Other	52,024	1,740	7,159	60,923	53,857
Advertising and promotion	269	50,167	538	50,974	58,050
Walks	50,765	-	-	50,765	-
Prayer Ministry	38,400	-	-	38,400	37,230
Telecommunications	1,870	4,327	23,510	29,707	31,056
Missions appeals - stipends	-	26,217	-	26,217	27,825
Insurance	-	-	23,597	23,597	21,149
Conferences	-	21,117	-	21,117	3,972
Mission appeals - travel	-	19,546	-	19,546	23,417
	<b>20,020,133</b>	<b>1,165,098</b>	<b>1,115,199</b>	<b>22,300,430</b>	<b>21,722,316</b>



**CHALICE (CANADA)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**1. NATURE OF OPERATIONS**

The organization was incorporated on June 30, 1992 under the Canada Corporation Act. Chalice (Canada) is a charitable organization whose main purpose is to provide financial sponsorship to children and the aging in developing countries and to advance religion through the promotion of prayer by providing spiritual and educational resources nationally and internationally.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Financial Statement Presentation**

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

**Fund Accounting**

Chalice (Canada) follows the restricted fund method of accounting for contributions.

The General Fund accounts for the organization's program delivery and administrative activities. The fund reports unrestricted resources and restricted resources for which there is not an appropriate restricted fund.

The Community Projects Fund reports restricted resources that are to be used to provide funding for specific community projects under the following categories: education, nutrition, water, health care, community development and emergency funding.

The Urgency Fund reports only restricted resources that are to be used to provide funding to projects when urgent circumstances arise. Within the Urgency Fund, contributions may be restricted to be used at specific locations. When there is no longer a need for those resources at the specific locations, the remaining resources, which are usually minimal, can be used at any location when urgent circumstances arise. Amounts restricted to specific locations are described in note 7.

The Christmas Fund reports the restricted resources that are to be used in providing additional resources at Christmas time.

The Endowment Fund reports resources contributed for endowment. Investment income earned on resources of the Endowment Fund is reported in the General Fund and is used for expenses which achieve the purpose of the endowment to which it relates.

**Revenue Recognition**

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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

Unrestricted investment income earned on Endowment Fund resources is recognized as revenue of the General Fund. Other investment income is recognized as revenue of the General Fund when earned.

Rental revenue is recognized on a monthly basis as it is earned.

**CHALICE (CANADA)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Investments**

Investments include investments in guaranteed investment certificates, equities and mutual fund units.

The investments in guaranteed investment certificates are recorded at principal plus accrued interest, which approximates market value.

Equity investments and mutual fund units are recognized initially at fair value and transaction costs are taken directly to the statement of operations. They are subsequently remeasured at each year end at the fair value on the statement of financial position, with realized and unrealized gains and losses recorded in the statement of operations. Publicly traded securities are valued based on the latest bid prices and pooled funds are valued based on reported unit values. Such indicated fair values do not necessarily represent the realizable value subsequent to year end, which may be more or less than that indicated by market quotations.

**Capital Assets**

Capital assets are stated at cost. Amortization is provided by the diminishing balance method at the following annual rates:

Buildings	6%
Computer equipment	30%
Computer software	30%
Furniture and equipment	20%

**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. Any impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

**Income Taxes**

Chalice (Canada) is a registered charitable organization and qualifies for tax-exempt status pursuant to paragraph 149 (1) (f) of the Income Tax Act.

**Contributed Services**

A number of volunteers contribute their time each year. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

**Allocated Expenses**

Wages and salaries for some employees have been allocated between programming, marketing and administration based on the estimated proportion of time spent by these employees. Of the total wages and salaries of \$2,303,204 (2015 - \$2,316,349), \$785,925 (2015 - \$622,055) was allocated between the three functions, and of this amount, \$323,939 (2015 - \$237,971) was allocated to program expenditures.

**Use of Estimates**

The preparation of financial statements in accordance 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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

**CHALICE (CANADA)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial Instruments**

*Measurement of financial instruments*

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions which are measured at the exchange amount.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments and mutual fund units, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash, investments not quoted in an active market and HST receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities. The carrying values as at June 30, 2016 approximate their fair values due to their relatively short term to maturity.

*Impairment*

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down is recognized in the statement of operations. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no 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 any reversal is recognized in the statement of operations.

*Transaction costs*

The organization recognizes its transaction costs in the statement of operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

**3. INVESTMENTS**

Fixed Income - Guaranteed Investment Certificates:

	2016	2015
	\$	\$
Credit Union, redeemable guaranteed investment certificates, maturing between February 5, 2017 and June 28, 2017, with yields to maturity of 2.15% to 2.2%	4,920,505	-
Accrued interest on guaranteed investment certificates	8,218	-
	4,928,723	-

**CHALICE (CANADA)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**3. INVESTMENTS (continued)**

LONG-TERM

	2016	2015
	\$	\$
CIBC Investor's Edge, equity investments (cost - \$1,900,350; 2015 - \$2,739,639)	<b>2,082,061</b>	3,169,964
Investment in mutual funds (cost - \$147,181; 2015 - \$132,892)	<b>193,906</b>	195,186
Credit Union, redeemable guaranteed investment certificates, maturing between February 5, 2017 and June 28, 2017, with yields to maturity of 2.15% to 2.2%	-	4,920,505
Accrued interest on guaranteed investment certificates	-	93,721
	<b>2,275,967</b>	<b>8,379,376</b>

**4. DUE FROM (TO) OTHER FUNDS**

The transactions of the Community Projects, Urgency, Christmas and Endowment Funds are administered through the main operating and investment accounts of the General Fund. As a result, at June 30, 2016, the balances of the respective funds have been set up as owing from (to) the General Fund. These loans are non-interest bearing, have no set terms of repayment and have been classified as current items on the statement of financial position.

**5. CAPITAL ASSETS**

	2016	2015
	Net Book Value	Net Book Value
	Cost	Accumulated Amortization
	\$	\$
Land	<b>1,273,174</b>	-
Buildings	<b>3,930,141</b>	<b>722,775</b>
Computer equipment	<b>158,255</b>	<b>144,503</b>
Computer software	<b>312,361</b>	<b>236,747</b>
Furniture and equipment	<b>266,611</b>	<b>205,814</b>
	<b>5,940,542</b>	<b>1,309,839</b>
	<b>4,630,703</b>	<b>3,759,524</b>

Buildings includes an asset with a cost of \$2,305,314 (2015 - \$1,279,032) and accumulated amortization of \$143,600 (2015 - \$38,371) of which approximately 30% of the building is currently being leased to a third party. The related rental revenue of \$146,491 (2015 - \$26,655) is included in 'Fundraising contributions and other revenues' on the Statement of Operations.

**CHALICE (CANADA)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**6. DEFERRED CONTRIBUTIONS**

Deferred contributions represent sponsorship and other revenue received in the current year that relates to subsequent years. Deferred contributions which relate to periods greater than one year have been presented as long-term.

The deferred contributions balance is comprised of the following externally restricted amounts for which there is not an appropriate restricted fund:

	2016	2015
	\$	\$
Deferred sponsorship contributions	3,068,808	2,867,967
Deferred fundraising contributions	-	4,000
Deferred scholarship contributions	46,330	46,329
Deferred catalogue contributions	138,706	179,740
	<u>3,253,844</u>	<u>3,098,036</u>
Less: long-term portion	398,102	348,883
	<u>2,855,742</u>	<u>2,749,153</u>

Changes in the deferred sponsorship contributions balance are as follows:

	2016	2015
	\$	\$
Beginning balance	2,867,967	2,792,717
Less: amount recognized as revenue during the year	(2,519,084)	(2,465,159)
Add: amount received related to subsequent years	2,719,925	2,540,409
	<u>3,068,808</u>	<u>2,867,967</u>

**7. COMMITMENTS**

The organization is leasing office equipment under a long-term lease, expiring August 2019, the annual rental of which is \$5,025.

The organization has committed funds in the amount of \$1,143,832 to various community projects in the following countries: Bolivia, Cameroon, Chili, Ghana, Haiti, India, Kenya, Paraguay and Ukraine. These funds are expected to be paid out as the community projects meet the requirements for the funding to be advanced.

**CHALICE (CANADA)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**7. COMMITMENTS (continued)**

The approximate payout for these community projects within the next four years is as follows:

	\$
2017	910,690
2018	132,286
2019	55,270
2020	45,586

With respect to the amounts committed at June 30, 2016, there are amounts committed for which contributions have yet to be received. The Community Project Fund has a balance of \$1,074,008 while the commitment amount at June 30, 2016 totals \$1,143,832.

Subsequent to year-end, the organization also committed and approved additional amounts totaling \$566,391 to be paid for community projects in Bolivia, Haiti, India, Kenya and Zambia of which \$224,541 has been paid to the date of the audit report. Considering both the amounts committed at year end and subsequent to year end, the balance of \$636,215 is underfunded but it is anticipated to be adequately funded by contributions to the Community Projects Fund over the next four years.

At year end, the organization committed amounts to be paid for disaster relief funds or for critical need purposes to the Philippines totaling \$359,426. The Urgency Fund has a balance of \$483,811; therefore, adequate funds have been set aside for these commitments. The remaining resources of \$124,385 in the Urgency Fund are unrestricted disaster relief or critical need contributions which may be used at any location when urgent circumstances arise.

Subsequent to year-end, the organization committed amounts totaling \$219,748 to be paid for disaster relief funds or for critical need purposes to sites in Cameroon, Chili, Haiti, India, Kenya, Philippines, Ukraine and Zambia of which \$214,530 have been paid to the date of the audit report.

**8. INTERFUND TRANSFERS**

During the year, the organization approved interfund transfers from the General Fund to the Community Projects Fund in the amount of \$149,012 to support funding of community projects.

**9. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the current year's financial statements presentation.

**10. FINANCIAL INSTRUMENTS**

**Risks and Concentrations**

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 June 30, 2016.

**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. The organization is exposed to interest rate risk and other price risk.

**CHALICE (CANADA)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**10. FINANCIAL INSTRUMENTS (continued)**

*Interest Rate Risk*

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 organization's investments in guaranteed investment certificates are subject to cash flow risk as market interest rates fluctuate and the rates available for re-investment upon maturity may vary from time to time. The fixed-rate instruments subject the organization to a fair value risk.

*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 or currency 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 equities and mutual fund units.