



**AFFINITY || LLP**  
CHARTERED PROFESSIONAL ACCOUNTANTS

**SIKHS SERVING CANADA ASSOCIATION**

**Financial Statements**

**Year Ended December 31, 2021**

**SIKHS SERVING CANADA ASSOCIATION**

**Index to Financial Statements**

**Year Ended December 31, 2021**

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	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 14

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## INDEPENDENT AUDITOR'S REPORT

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To the Members of Sikhs Serving Canada Association

### *Qualified Opinion*

We have audited the financial statements of Sikhs Serving Canada Association (the Association), which comprise the statement of financial position as at December 31, 2021, and the statements of operations, changes in net assets and 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 Association 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 Association derives revenue from donations and fundraising activities, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Association and we were not able to determine whether any adjustments might be necessary to donations and fundraising activities income, excess of revenues over expenses, current assets and net assets. Our audit opinion on the financial statements for the year ended December 31, 2020 was modified accordingly because of the possible effects of this limitation of 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 Association 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### *Emphasis of Matter*

As more fully described in Note 3 which describes the Summary of Significant Accounting Policies and particularly the policy regarding donated goods, the financial statements did not include the food received and distributed by the Association. Management has justified the departure from Canadian accounting standards for not-for-profit organizations due to the inability to reasonably estimate the fair value of received foods. Our Opinion of revenues was limited to the amounts recorded in the records of the Organization as expressed above.

### *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.

(continues)



In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

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

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association'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 Association'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 Association 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.

*Affinity LLP*

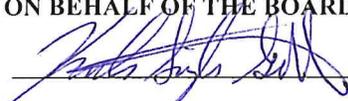
**SIKHS SERVING CANADA ASSOCIATION**

**Statement of Financial Position**

**As at December 31, 2021**

	2021	2020
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash (Note 4)	\$ 1,298,182	\$ 775,201
Term deposits	300,000	300,000
Receivable from PCHS (Note 7)	20,000	-
Harmonized sales tax recoverable	76,462	33,644
Prepayment and utility deposit	16,462	16,866
	<u>1,711,106</u>	<u>1,125,711</u>
PROPERTY, PLANT AND EQUIPMENT (Note 5)	<u>247,562</u>	<u>257,697</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,958,668</u></b>	<b><u>\$ 1,383,408</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 75,193	\$ 85,655
DEFERRED CONTRIBUTIONS (Note 7)	<u>293,490</u>	<u>123,828</u>
<b>TOTAL LIABILITIES</b>	<b>368,683</b>	<b>209,483</b>
NET ASSETS	<u>1,589,985</u>	<u>1,173,925</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,958,668</u></b>	<b><u>\$ 1,383,408</u></b>

**ON BEHALF OF THE BOARD**

 \_\_\_\_\_ Director

\_\_\_\_\_ Director

See notes to financial statements

**SIKHS SERVING CANADA ASSOCIATION**

**Statement of Operations**

**Year Ended December 31, 2021**

	<b>2021</b>	<b>2020</b>
<b>REVENUES</b>		
Donations	\$ 1,539,513	\$ 1,281,100
Region of Peel <i>(Note 7)</i>	100,777	152,705
United Way	52,501	112,400
Canada Summer Job Fund <i>(Note 7)</i>	50,530	40,362
Ontario Trillium Foundation Fund <i>(Note 7)</i>	29,496	75,496
ESDC Grant <i>(Note 7)</i>	4,549	4,549
	<b>1,777,366</b>	<b>1,666,612</b>
<b>EXPENSES</b>		
Salaries and wages	737,049	549,591
Rent	150,096	146,135
Food costs	111,781	132,338
Amortization	82,815	72,351
Professional fees	78,105	29,494
Office	62,148	78,714
Food-raising and fundraising	56,078	115,712
Utilities	39,066	19,697
Telephone	18,911	8,080
Vehicle	10,573	14,327
Meals and entertainment	4,715	5,015
Insurance	4,483	2,447
Interest and bank charges	3,804	2,787
Business taxes, licenses and memberships	1,547	1,431
Volunteers	107	2,998
Travel	28	1,939
	<b>1,361,306</b>	<b>1,183,056</b>
<b>EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS</b>	<b>416,060</b>	<b>483,556</b>
<b>OTHER INCOME</b>		
Loan forgiveness - CEBA program	-	10,000
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ 416,060</b>	<b>\$ 493,556</b>

See notes to financial statements

**SIKHS SERVING CANADA ASSOCIATION**

**Statement of Changes in Net Assets**

**Year Ended December 31, 2021**

	<b>2021</b>	2020
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>\$ 1,173,925</b>	\$ 680,369
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>416,060</b>	493,556
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 1,589,985</b>	\$ 1,173,925

**SIKHS SERVING CANADA ASSOCIATION**

**Statement of Cash Flows**

**Year Ended December 31, 2021**

	2021	2020
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$ 416,060	\$ 493,556
Item not affecting cash:		
Amortization of property, plant and equipment	82,815	72,351
	498,875	565,907
Changes in non-cash working capital:		
Receivable from PCHS	(20,000)	12,631
Accounts payable and accrued liabilities	(10,462)	53,248
Prepayment and utility deposit	404	473
Harmonized sales tax payable	(42,818)	1,236
Deferred income	169,662	5,645
	96,786	73,233
Cash flow from operating activities	595,661	639,140
<b>INVESTING ACTIVITY</b>		
Purchase of property, plant and equipment	(72,680)	(76,597)
<b>INCREASE IN CASH FLOW</b>	522,981	562,543
Cash - beginning of year	1,075,201	512,658
<b>CASH - END OF YEAR</b>	\$ 1,598,182	\$ 1,075,201
<b>CASH CONSISTS OF:</b>		
Cash	\$ 1,298,182	\$ 775,201
Term deposits	300,000	300,000
	\$ 1,598,182	\$ 1,075,201

See notes to financial statements

# SIKHS SERVING CANADA ASSOCIATION

## Notes to Financial Statements

Year Ended December 31, 2021

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### 1. PURPOSE OF THE ASSOCIATION

Sikhs Serving Canada Association (the "Association") is a not-for-profit organization incorporated provincially under the Not-for-profit Corporations Act of Ontario on January 28, 2009. As a registered charity the Association is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The Association provides safe, nutritious and culturally appropriate food to low income families living in Mississauga's L5B, L5C, L4V, L5S, L4T, L5T, and L5P postal code areas through the Wolfedale Road and Slough Street locations.

### 2. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated amortization and is amortized over its estimated useful life at the following rates and methods:

Motor vehicles	30% declining balance method
Leasehold improvements	term of the lease straight-line method

The Association regularly reviews its property, plant and equipment to eliminate obsolete items. Government grants are treated as a reduction of property, plant and equipment cost.

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

#### Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

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# SIKHS SERVING CANADA ASSOCIATION

## Notes to Financial Statements

Year Ended December 31, 2021

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Revenue recognition

Sikhs Serving Canada Association follows the deferral method of accounting for contributions. Accordingly, there are three types of contributions:

1. A restricted contribution is a contribution subject to externally imposed stipulations as specified by the donor.
2. An endowment contribution is a type of restricted contribution specifying that the resources contributed be maintained permanently.
3. An unrestricted contribution has no externally imposed conditions and the Association is free to use the funds in any manner it chooses.

Under the Deferral Method, the accounting treatment differs depending on the type of contribution and its purpose:

- A restricted contribution that is directed to expenditures in the current period is included in revenues of the current period.
- An externally restricted contribution for future expenditures is called a Deferred Contribution. When deferred contributions are utilized for operating expenses in a future period (expended as specified by the donor), the term used at that time is Recognition of Deferred Contributions and the amount is shown as a revenue item in that period.
- If the restricted contribution is for the purchase of a capital asset, the contribution is deferred and taken into revenues as the asset so acquired is amortized (i.e., depreciated) in the Association's accounts. The term used in this case is Amortization of Deferred Contributions.
- An endowment contribution, which is essentially an asset contribution to be held in perpetuity, is recorded as an increase in a category of net assets called Net Assets Restricted for Endowments.
- An unrestricted contribution is taken into revenues immediately and forms part of the Unrestricted Net Assets balance if not expended in the current period.
- The Board of Directors can decide to designate a portion of the Association's unrestricted net assets for certain purposes (e.g., research, special projects), in which case it is noted as Internally Restricted Net Assets.

#### Donated goods

Material donated goods other than foods are recorded at their fair market value at the time of the donation. When a fair market value can be reasonably estimated and when the donated goods would otherwise have been purchased, fair market value would be estimated using market or appraisal values at the date of the donation.

The Association receives a significant volume of food products from its food bank network through the Mississauga Food Bank, grocery retailers and independent stores. The volume of food products acquired and distributed was 1,313,025 pounds (2020: 1,394,501 pounds) with a value of \$3.00 (2020: \$2.62) per pound.

These donated food products are not reflected in the financial statements as their fair market value cannot be reasonably estimated.

#### Contributed services

The operations of the Association depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

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# SIKHS SERVING CANADA ASSOCIATION

## Notes to Financial Statements

Year Ended December 31, 2021

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Pledges

Pledges which are legally enforceable (less an allowance for amounts considered uncollectible) are recorded as receivable in the year made. Pledges to support current operations are recorded as operating fund receipts. Pledges made for the acquisition of property or to support future operations are recorded as deferred amounts in their respective fund.

#### Net assets

- a) Net assets invested in property and equipment represents the Association's net investment in property and equipment which is comprised of the unamortized amount of property and equipment purchased with restricted funds.
- b) Internally restricted net assets are funds which have been designated for a specific purpose by the organization's Board of Directors.
- c) Unrestricted net assets comprise the excess of revenue over expenses accumulated by the Association each year, not of transfers, and are available for general purposes.

#### Impairment of Long Lived Assets

The Association tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

#### 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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

### 4. CASH

As of December 31, the cash is classified as per the following:

	<u>2021</u>	<u>2020</u>
Unrestricted	\$ 1,205,029	\$ 651,373
Restricted	293,490	123,828
	<u>\$ 1,498,519</u>	<u>\$ 775,201</u>

**SIKHS SERVING CANADA ASSOCIATION**

**Notes to Financial Statements**

**Year Ended December 31, 2021**

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5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	<b>2021 Net book value</b>	2020 Net book value
Motor vehicles	\$ 62,656	\$ 38,353	<b>\$ 24,303</b>	\$ 34,718
Leasehold Improvements	398,339	175,080	<b>223,259</b>	222,979
	<b>\$ 460,995</b>	<b>\$ 213,433</b>	<b>\$ 247,562</b>	<b>\$ 257,697</b>

Property, plant and equipment acquired during the year ended December 31, 2021 but not placed into use are not amortized until they are placed into use.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<b>2021</b>	2020
Accounts Payable	<b>\$ 20,554</b>	\$ 5,360
Payroll Liabilities	<b>47,140</b>	43,043
Accrued Liabilities	<b>7,500</b>	37,252
	<b>\$ 75,194</b>	<b>\$ 85,655</b>

**SIKHS SERVING CANADA ASSOCIATION**

**Notes to Financial Statements**

**Year Ended December 31, 2021**

7. DEFERRED CONTRIBUTIONS

This amount consists of contributions that have restrictions relating to specific projects that were imposed by the donor. A summary of the deferred contributions is as follows:

	Opening			
	Balance	Contributed	Recognised	2021
<b><u>Contributors</u></b>				
Region of Peel	\$ -	\$ 137,624	\$ 100,777	\$ <b>36,847</b>
Canada Summer Jobs Fund	-	50,530	50,530	-
Woodbine Cares	-	5,000	3,750	<b>1,250</b>
UW emergency fund	-	8,600	4,563	<b>4,037</b>
Food bank canada	-	139,110	101,847	<b>37,263</b>
Amazon Canada	-	135,000	-	<b>135,000</b>
Punjabi Community Health Services	-	20,000	-	<b>20,000</b>
Ontario Trillium Foundation	71,989	-	23,996	<b>47,993</b>
Emergency Community Support Fund	35,190	-	35,190	-
Ministry of Employment and Social Development				
Canada (ESDC) - Accessibility Fund	13,649	-	4,549	<b>9,100</b>
Home Depot Foundation	3,000	-	1,000	<b>2,000</b>
<b>Total</b>	<b>147,728</b>	<b>495,864</b>	<b>326,202</b>	<b>293,490</b>

**Region of Peel**

Sustainability fund :

Sustainability Fund is a Core Operational Funding to assist with core operating expenses that will empower an organization to be more effective and achieve greater community impact to better deliver human and social services in Peel Region. During the year, the Association received \$100,000 (2020: \$100,000) from Region of Peel in which \$60,000 (2020: \$60,000) must be used for salaries and \$40,000 (2020: \$40,000) must be used for occupancy costs. Out of the total Sustainability fund, \$80,000 was utilized during the current year and the remaining amount of \$20,000 has been brought forward to the next year.

Covid-19 Emergency Response Fund :

Emergency Response Fund provides financial assistance to support vulnerable persons related to the impacts of the Covid-19 pandemic. The Association received \$13,824 (2020: \$22,480) from Region of Peel during the year.

Region of Peel also provided Transitional Funding for \$30,225 in 2020 to assist with collective planning and implementation of new initiatives and programs with the condition that the costs are directly related to eligible project activities and are reasonable. No such funding in current year.

Capacity Fund :

Capacity Fund provides support to organizations enabling customized approaches to strengthen internal business practices and operational needs. During the year, the Association received \$23,800 (2020: Nil) from Region of Peel which were used for salaries. Out of the total Capacity Fund, \$6,953 was utilized during the current year and the remaining amount of \$16,847 has been brought forward to the next year.

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# SIKHS SERVING CANADA ASSOCIATION

## Notes to Financial Statements

Year Ended December 31, 2021

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### 7. DEFERRED CONTRIBUTIONS *(continued)*

#### **Canada Summer Jobs Fund**

Service Canada provided the Association with a grant of \$50,530 (2020: \$40,362) from the Canada Summer Jobs Fund to be used to hire summer students.

During the year ended December 31, 2021, withdrawals from the fund consisted of salaries of \$50,530 (2020: \$40,362).

#### **Woodbine Cares Community Investment Program**

Woodbine Cares Community Investment Program has extended critical support during 2021 to help get food to the vulnerable families in need in a safe and secure way. During the year, the Association received \$5,000 (2020: Nil) from Woodbine Cares Community Investment Program which were used for supported delivery of food hampers to the community. Out of the total amount received, \$3,750 was utilised and the remaining amount has been brought forward to next year.

#### **United Way Greater Toronto ("UWGT")'s Emergency Fund for COVID-19**

UWGT is a charitable organization that aims to fight local poverty by supporting the people impacted by it and the neighbourhoods they live in. During the year, the Association received \$8,600 (2020: Nil) from UWGT to support the delivery of food to low-income families via a part-time driver for 26 weeks. Out of the total amount received, \$4,563 was utilised and the remaining amount has been brought forward to next year.

#### **Food Bank Canada**

Food Bank Canada is a charitable organization representing the food bank community across Canada. During the year, the Association received \$139,110 (2020: Nil) from Food Bank Canada which were used for fresh products, salaries for part-time staff and acquisition of equipment. Out of the total amount received, \$101,847 was utilised and the remaining amount has been brought forward to next year.

#### **Amazon Canada**

The Community Investment Proposal For Amazon provides logistics and warehouse upgrades of \$100,000. During the year, the Association received \$100,000 (2020: Nil) from Amazon Canada for walk-in fridge and freezer unit at Cooksville to increase storage capacity for perishable food items, especially fresh produce and daily items. The amount received has been brought forward to next year as the walk-in freezer unit has just installed before the year end and started the amortization in next year.

#### **Punjabi Community Health Services ("PCHS")**

PCHS is a not-for-profit charitable organization committed to its vision to empower diverse communities. PCHS has agreed to provide a fund of \$20,000 (2020: Nil) to the Association which will be cover 50% cost of the fridge and freezer up to \$20,000. The fund was received subsequent to the year end. the walk-in freezer unit has just installed before the year end and started the amortization in next year, the funding from PCHS will start to recognise as revenue starting from next year.

#### **Ontario Trillium Foundation**

The Ontario Trillium Foundation provided the Association a grant of \$199,400 in 2015 for the following purposes:

- (i) program expenses - \$16,000;
- (ii) to hire a food bank coordinator - \$41,400;
- (iii) for Renovations - \$132,000; and
- (iv) for Capital assets - \$10,000

#### **Emergency Community Support Fund (ECSF)**

The Emergency Community Support Fund provided the Association with a grant of \$46,140 in total to support the Technology Upgrades for COVID-19 Operations project. The project was completed and the balance of fund brought forward from last year was fully recognized to revenue during the year.

*(continues)*

# SIKHS SERVING CANADA ASSOCIATION

## Notes to Financial Statements

Year Ended December 31, 2021

### 7. DEFERRED CONTRIBUTIONS *(continued)*

#### **Ministry of Employment and Social Development Canada (ESDC) - Accessibility Fund**

The Ministry of Employment and Social Development Canada (ESDC) has granted the Association \$22,747 for the purpose of accessibility improvements to the building which includes the installation of an automated door and building an accessible washroom.

The construction for accessibility improvements was completed in 2019 and the grant is being recognized to revenue over the lease term starting from 2019 for the amount of \$4,549 per year.

#### **Home Depot Foundation**

The Charitable Corporation has received a \$5,000 donation from Home Depot Foundation to support a Community Teaching Kitchen program.

The program was completed in 2019 and the grant is being recognized to revenue over the lease term starting from 2019 for the amount of \$1,000 per year.

### 8. NET ASSETS

As of December 31, the net assets are classified as per the following:

	<u>2021</u>	<u>2020</u>
Unrestricted balance	<u>\$ 1,758,296</u>	<u>\$ 1,209,115</u>

### 9. LEASE COMMITMENTS

The Charitable Organization has long-term lease with respect to its premises which will be expired on January 31, 2022 and November 30, 2024 respectively . Future minimum lease payments are as follows:

2022	\$ 114,076
2023	114,597
2024	<u>115,163</u>
	<u>\$ 343,836</u>

### 10. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Association's risk exposure and concentration as of December 31, 2021.

#### ***(a) Credit risk***

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Association is exposed to credit risk from customers. In order to reduce its credit risk, the Association reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Association has a significant number of customers which minimizes concentration of credit risk.

*(continues)*

**SIKHS SERVING CANADA ASSOCIATION**

**Notes to Financial Statements**

**Year Ended December 31, 2021**

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10. FINANCIAL INSTRUMENTS *(continued)*

*(b) Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash. The Association monitors and maintains a level of bank balances deemed adequate to finance the Association's operations.

Unless otherwise noted, it is management's opinion that the Association is not exposed to significant other price risks arising from these financial instruments.

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