

The Michener Institute of Education at UHN

Financial statements
March 31, 2020



Independent auditor's report

To the Board of Governors of
The Michener Institute of Education at UHN

Opinion

We have audited the financial statements of **The Michener Institute of Education at UHN** ["Michener"], which comprise the statement of financial position as at March 31, 2020 and the statement of operations, statement of changes in net assets, statement of remeasurement gains (losses) 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, the accompanying financial statements present fairly, in all material respects, the financial position of Michener as at March 31, 2020 and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

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 Michener in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 public sector accounting 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 Michener'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 Michener or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Michener'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 Michener'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 Michener'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 Michener 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.

Report on other legal and regulatory requirements

As required by the *Corporations Act* (Ontario), we report that, in our opinion, Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

Toronto, Canada
June 10, 2020

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



The Michener Institute of Education at UHN

Statement of financial position

As at March 31

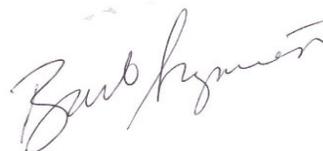
	2020	2019
	\$	\$
Assets		
Current		
Cash and cash equivalents	3,521,836	4,996,518
Short-term investments <i>[note 3]</i>	478,144	327,959
Accounts receivable <i>[notes 9[b] and 13]</i>	2,988,948	843,238
Prepaid expenses	438,460	463,550
Total current assets	7,427,388	6,631,265
Capital assets, net <i>[note 4]</i>	19,161,849	14,948,729
Long-term investments <i>[note 3]</i>	9,769,273	10,025,387
	36,358,510	31,605,381
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[notes 6 and 9]</i>	5,226,624	6,018,916
Deferred revenue	2,174,648	2,112,451
Deferred contributions <i>[note 6]</i>	16,251	16,001
Total current liabilities	7,417,523	8,147,368
Deferred capital contributions <i>[note 7]</i>	15,027,917	10,706,812
Total liabilities	22,445,440	18,854,180
Commitments <i>[note 11]</i>		
Net assets		
Unrestricted	4,108,909	4,241,915
Internally restricted <i>[note 8]</i>	6,264,520	4,623,139
Endowed <i>[note 8]</i>	3,562,775	3,513,580
	13,936,204	12,378,634
Accumulated remeasurement gains (losses)	(23,134)	372,567
Total net assets	13,913,070	12,751,201
	36,358,510	31,605,381

See accompanying notes

Approved on behalf of the Board:



Cornell CV Wright
Chair, Board of Trustees



Barbara Stymiest
Chair, Finance and Audit Committee

The Michener Institute of Education at UHN

Statement of operations

Year ended March 31

	2020	2019
	\$	\$
Revenue		
Ontario Ministry of Health	18,298,621	18,481,379
Tuition revenue	7,838,459	8,009,087
Rental income	563,011	594,622
Other income	1,164,900	630,313
Investment income	333,321	277,893
Scholarships and bursary fund contributions	25,750	25,250
	28,224,062	28,018,544
Expenses		
Compensation <i>[notes 9 and 10]</i>	18,844,988	18,308,102
Building occupancy costs	2,625,199	2,492,080
Other operating	2,532,956	3,275,898
Educational support	1,769,797	1,966,718
Education program	62,284	70,530
Scholarship and bursary awards	521,516	128,353
	26,356,740	26,241,681
Excess of revenue over expenses before the following	1,867,322	1,776,863
Amortization <i>[note 4]</i>	(2,187,005)	(2,273,449)
Amortization of deferred capital contributions <i>[note 7]</i>	1,852,618	1,949,104
Excess of revenue over expenses for the year	1,532,935	1,452,518

See accompanying notes

The Michener Institute of Education at UHN

Statement of changes in net assets

Year ended March 31

	2020			2019	
	Unrestricted	Internally restricted	Endowed	Total	Total
	\$	\$	\$	\$	\$
Balance, beginning of year	4,241,915	4,623,139	3,513,580	12,378,634	10,861,063
Excess of revenue over expenses for the year	1,532,935	—	—	1,532,935	1,452,518
Interfund transfers <i>[note 8]</i>	(1,665,941)	1,641,381	24,560	—	—
Donations received	—	—	3,260	3,260	3,575
Reinvested investment income, externally endowed funds <i>[notes 6 and 8]</i>	—	—	21,069	21,069	10,278
Reinvested investment income, internally endowed income restricted <i>[notes 6 and 8]</i>	—	—	306	306	—
Transfer from deferred contributions <i>[note 6]</i>	—	—	—	—	51,200
Balance, end of year	4,108,909	6,264,520	3,562,775	13,936,204	12,378,634

See accompanying notes

The Michener Institute of Education at UHN

Statement of remeasurement gains (losses)

Year ended March 31

	2020	2019
	\$	\$
Accumulated remeasurement gains, beginning of year	372,567	136,344
Net realized losses attributable to investments, reclassified to statement of operations	(343,775)	(272,207)
Unrealized gains (losses) attributable to investments, net	(51,926)	508,430
Accumulated remeasurement gains (losses), end of year	(23,134)	372,567

See accompanying notes

The Michener Institute of Education at UHN

Statement of cash flows

Year ended March 31

	2020	2019
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	1,532,935	1,452,518
Add (deduct) items not involving cash		
Amortization	2,187,005	2,260,337
Loss (gain) on disposal of capital assets	(10)	13,091
Amortization of deferred capital contributions	(1,852,618)	(1,949,104)
	<u>1,867,312</u>	<u>1,776,842</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable	(2,145,710)	(205,797)
Prepaid expenses	25,090	37,390
Accounts payable and accrued liabilities <i>[note 12]</i>	(645,569)	(1,104,991)
Deferred revenue	62,197	123,323
Deferred contributions	250	4,000
Cash provided by (used in) operating activities	<u>(836,430)</u>	<u>630,767</u>
Capital activities		
Proceeds from sale of capital assets	10	—
Purchase of capital assets <i>[note 12]</i>	(6,546,848)	(2,291,046)
Cash used in capital activities	<u>(6,546,838)</u>	<u>(2,291,046)</u>
Investing activities		
Increase in investments, net	(268,703)	(216,474)
Cash used in investing activities	<u>(268,703)</u>	<u>(216,474)</u>
Financing activities		
Contributions received for capital purposes	6,173,723	1,802,918
Endowment contributions	3,260	54,775
Cash provided by financing activities	<u>6,176,983</u>	<u>1,857,693</u>
Net decrease in cash and cash equivalents during the year	<u>(1,474,682)</u>	<u>(19,060)</u>
Cash and cash equivalents, beginning of year	4,996,518	5,015,578
Cash and cash equivalents, end of year	<u>3,521,836</u>	<u>4,996,518</u>
Cash and cash equivalents represented by		
Cash	121,836	(3,482)
Cash equivalents	3,400,000	5,000,000
	<u>3,521,836</u>	<u>4,996,518</u>

See accompanying notes

The Michener Institute of Education at UHN

Notes to financial statements

March 31, 2020

1. Description of the organization

The Michener Institute of Education at UHN's ["Michener"] vision: The Leader in Applied Health Sciences Education through excellence and innovation. Michener is dedicated to the education of pre-eminent applied health science practitioners capable of providing transformational leadership, performance and evidence-based best practice.

Michener is a registered charitable organization incorporated under the laws of the Province of Ontario as a corporation without share capital and as such is generally exempt from income taxes.

The University Health Network ["UHN"] exercises control over Michener and the business relationship between Michener and UHN is governed by a service agreement.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with the *Public Sector Accounting Handbook*, which sets out generally accepted accounting principles for government not-for-profit organizations in Canada. Michener applies the standards for government not-for-profit organizations that include Section PS 4200 to PS 4270.

Revenue recognition

Michener follows the deferral method of accounting for contributions. Contributions are recorded in the accounts when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Donations are recorded when received since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions are deferred when initially recorded in the accounts and recognized as revenue in the period in which the related expenses are incurred. Donations restricted for the purchase of capital assets are recorded as deferred capital contributions and amortized to income at the same rate as the capital assets funded by the contributions. Donations where the donor requires that the principal must be maintained permanently are recorded as direct increases of endowed net assets in the year in which they are received.

Tuition revenue is recognized when courses and seminars are held.

Rental and other income are recognized when the goods have been sold or when the services have been provided.

Investment income, which consists of interest, dividends, and realized gains and losses, net of related fees is recorded as investment income (loss) in the statement of operations, except to the extent that it is reinvested in endowments for capital preservation, in which case it is added to or deducted from endowment net assets [note 8]. Unrealized gains and losses are recorded in the statement of remeasurement gains and losses.

The Michener Institute of Education at UHN

Notes to financial statements

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Contributed goods and services

Donated goods and services are not recorded in the accounts of Michener, except when such goods and services are valued by a qualified appraiser, a valuation report is provided to Michener, and when such goods and services are used in the normal course of operations.

Cash and cash equivalents

Cash and cash equivalents include highly liquid term deposits, which have maturities of less than 90 days from the date of purchase, or are readily convertible to cash with no penalty, unless they are held for investment purposes in which case they are classified as investments.

Capital assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair market value at the date of contribution. Capital assets are amortized on a straight-line basis at annual rates based on the estimated useful lives of the assets as follows:

Building	2%
Furniture and fixtures	10% to 20%
Teaching equipment	10% to 20%

Construction in progress comprises construction and development costs. No amortization is recorded until construction is substantially complete and the assets are ready for productive use.

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate the asset no longer contributes to Michener's ability to provide goods and services, or the value of future economic benefits associated with the asset is less than its book value. The impairment loss is measured as the extent to which the carrying value exceeds the fair value, if any.

Employee benefit plan

Defined contribution accounting is applied for the Healthcare of Ontario Pension Plan ["HOOPP"], a multi-employer pension plan, whereby contributions are expensed on an accrual basis, as Michener has insufficient information to apply defined benefit plan accounting.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Accounts requiring significant estimates include accounts receivable and the collectability thereof, useful life of capital assets, accrued liabilities and deferred revenue.

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The amount of revenue recognized from the Ministry of Health and Long-Term Care [the “Ministry”] requires a number of estimates based on the application of the funding agreement. Michener has a multi-year funding agreement with the Ministry whereby the Ministry will fund certain post-secondary programs relating to applied health sciences, subject to various terms and conditions agreed to by the parties. Michener and the Ministry entered into a new three-year Transfer Payment Agreement effective April 1, 2018, for a three-year period ending on March 31, 2021. Michener’s educational programs are funded by grants from the Ministry in accordance with Michener’s requirements based on an approved operating budget. The funding specifically excludes depreciation, but includes expenditures on capital assets, if pre-approved. The operating grants shown in the statement of operations represent total funding for the period. The Ministry requires any deficit incurred on funded operations to be absorbed by Michener, while any excess of revenue over expenses on funded operations is to be refunded to the Ministry.

Financial instruments

Financial instruments are classified in one of the following categories: [i] fair value; or [ii] cost or amortized cost. Michener determines the classification of its financial instruments at initial recognition.

Financial instruments measured at fair value are classified according to a fair value hierarchy that reflects the importance of the data used to perform each valuation. The fair value hierarchy is made up of the following levels:

Level 1 – valuation based on quoted prices [unadjusted] in active markets for identical assets or liabilities;

Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data [unobservable inputs].

Investments reported at fair value consist of equity instruments that are quoted in an active market as well as investments in pooled funds, derivative contracts and any other investments where the investments are managed on a fair value basis and the fair value option is elected. Transaction costs are recognized in the statement of operations in the period during which they are incurred. Investments at fair value are remeasured at their fair value at the end of each reporting period. Any revaluation gains and losses are recognized in the statement of remeasurement gains and losses and are cumulatively reclassified to the statement of operations upon disposal or settlement.

Investments in securities not designated to be measured at fair value are initially recorded at fair value plus transaction costs and are subsequently measured at amortized cost using the effective interest rate method, less any provision for impairment.

All investment transactions are recorded on a trade date basis.

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A write-down is recognized in the statement of operations for a portfolio investment in either category when there has been a loss in the value of the investment considered as an “other than temporary” loss. Subsequent changes to the remeasurement of portfolio investments in the fair value category are reported in the statement of remeasurement gains and losses. If the loss in value of a portfolio investment subsequently reverses, the write-down to the statement of operations is not reversed until the investment is sold.

Other financial instruments, including cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

3. Investments

Details of the investments are as follows:

	2020	2019
	\$	\$
Short-term investments		
Cash and cash equivalents	217,378	147,020
Short-term securities	260,766	180,939
	<u>478,144</u>	<u>327,959</u>
Long-term investments		
Guaranteed investment certificates	1,274,098	1,257,291
Corporate bonds	2,430,683	2,396,744
Government bonds	3,427,657	3,404,984
Equities	2,636,835	2,966,368
	<u>9,769,273</u>	<u>10,025,387</u>
	<u>10,247,417</u>	<u>10,353,346</u>

Investments in government and corporate bonds are reported at fair value and represent Level 2 investments in the fair value hierarchy. Investments in equities are reported at fair value and represent Level 1 investments in the fair value hierarchy.

During the year ended March 31, 2020 and 2019, there were no transfers between fair value hierarchy levels.

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Notes to financial statements

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4. Capital assets

	2020		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	1,158,262	—	1,158,262
Building	31,863,158	23,240,445	8,622,713
Furniture and fixtures	3,548,853	3,424,429	124,424
Teaching equipment	17,401,825	15,280,965	2,120,860
Construction in progress	7,135,590	—	7,135,590
	61,107,688	41,945,839	19,161,849

	2019		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Land	1,158,262	—	1,158,262
Building	31,781,298	21,997,509	9,783,789
Furniture and fixtures	3,464,108	3,356,751	107,357
Teaching equipment	17,512,985	14,831,458	2,681,527
Construction in progress	1,217,794	—	1,217,794
	55,134,447	40,185,718	14,948,729

During the year, fully amortized assets of \$426,884 [2019 – nil] were written off as they are no longer in use.

5. Credit facilities

Michener has an operating line of credit to a maximum of \$3,500,000. Any advances on this line of credit incur interest at the bank prime lending rate less 0.25% per annum. As at March 31, 2020, advances against the line of credit were nil [2019 – nil].

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6. Deferred contributions

Deferred contributions consist of the following:

	2020	2019
	\$	\$
Deferred contributions, beginning of year	16,001	12,001
Transfer to Board-endowed funds <i>[note 8]</i>	—	(51,200)
Contributions received in the year	2,135,285	2,103,336
Amount available for spending related to externally endowed funds <i>[note 8]</i>	79,869	62,777
Amount available for spending relating to internally endowed funds <i>[note 8]</i>	1,587	—
Amount recognized as revenue in the year	(1,814,341)	(2,075,639)
Investment income transferred to externally endowed funds <i>[note 8]</i>	(21,069)	(10,278)
Investment income transferred to internally endowed funds <i>[note 8]</i>	(306)	—
Amounts transferred to accounts payable and accrued liabilities	(380,775)	(24,996)
Deferred contributions, end of year	16,251	16,001

7. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of capital assets. The changes in the deferred capital contributions balance for the years ended March 31 are as follows:

	2020	2019
	\$	\$
Deferred capital contributions, beginning of year	10,706,812	10,852,998
Contributions for capital purposes	6,173,723	1,802,918
Amortization of deferred capital contributions	(1,852,618)	(1,949,104)
Deferred capital contributions, end of year	15,027,917	10,706,812

8. Net assets

Internally restricted net assets represent amounts set aside by the Board for The Education Development Fund, which is used to meet the educational objectives of Michener.

The endowed net assets represent funds whereby the donor or the Board has stipulated that the principal be maintained in perpetuity. Endowed funds totalling \$3,562,775 [2019 – \$3,513,580] are subject to externally imposed restrictions for income to be used for scholarships and bursaries.

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Notes to financial statements

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	2020	2019
	\$	\$
Internally endowed	962,445	937,579
Externally endowed	2,600,330	2,576,001
Endowed net assets	3,562,775	3,513,580

For externally endowed funds and internally endowed funds with external restrictions on spending, Michener transfers all investment income to deferred contributions and recognizes amounts to income, as investment income, equal to the amount of scholarships and bursaries made in the year. The excess of investment income earned over the disbursements made is reinvested in the endowed funds as preservation of capital.

9. Related party transactions

- [a] The business relationship between UHN and Michener is governed by service agreements pursuant to which UHN provides certain management services on a cost-recovery basis.

For the year ended March 31, 2020, services totalling \$1,762,739 [2019 – \$2,325,176] were provided by UHN for senior management and other services and recorded in compensation in the statement of operations. As at March 31, 2020, Michener has \$503,355 [2019 – \$788,983] recorded in accounts payable relating to amounts owing to UHN.

- [b] Effective February 13, 2020, UHN and Michener entered into a management agreement for The Institute for Education Research at UHN ["TIER"] in which Michener will provide the management services on a cost-recovery basis.

For the year ended March 31, 2020, services totalling \$289,085 [2019 – nil] were provided by Michener for the management of TIER and recorded in compensation in the statement of operations. As at March 31, 2020, Michener has \$289,085 [2019 – nil] recorded in accounts receivable relating to amounts owing from UHN.

In addition, during the year ended March 31, 2020, Michener provided UHN with a grant for TIER in the amount of \$300,000 [2019 – nil] for the advancement of research in health care education. The donation does not contain any funds received by Michener directly from the Ministry of Health.

These transactions occur in the normal course of operations and are recorded at their exchange amounts, which is the amount agreed upon by both parties.

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10. Pension plan

Substantially all of the employees of Michener are members of HOOPP, which is a multi-employer, defined benefit, final average earnings and contributory pension plan. HOOPP is accounted for as a defined contribution plan. Michener's contributions to HOOPP during the year amounted to \$1,159,587 [2019 – \$1,136,505]. These amounts are included in compensation expense in the statement of operations. The most recent valuation for financial reporting purposes completed by HOOPP as at December 31, 2019 disclosed net assets available for benefits of \$94,102,000 with pension obligations of \$73,547,000, resulting in a surplus of \$20,555,000.

11. Commitments

Michener is committed to annual rental payments under leases for office equipment, which expire in fiscal 2023, as follows:

	\$
2021	138,767
2022	90,529
2023	37,124
	<u>266,420</u>

12. Statement of cash flows

Other information related to cash flows is as follows:

	2020	2019
	\$	\$
Changes in capital asset purchases funded by accounts payable and accrued liabilities	<u>146,723</u>	<u>46,108</u>

13. Financial instruments and risk management

Michener is exposed to various financial risks through its transactions in financial instruments. Michener's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on Michener's financial performance.

Credit risk

Michener's principal financial assets are cash and cash equivalents, accounts receivable and investments. The carrying amounts of financial assets on the statement of financial position represent Michener's maximum credit exposure at the statement of financial position date.

Michener is exposed to credit risk in connection with its accounts receivable and investments. The accounts receivable disclosed in the statement of financial position are net of an allowance for doubtful accounts of \$16,492 [2019 – \$16,492], estimated by the management of Michener based on previous experience and its assessment

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of the current economic environment. Michener is exposed to credit risk in the event of non-payment by students for registered courses. The risk is mitigated by the fact that fees are normally paid in advance and the balance is made up of small individual balances.

With respect to credit risk arising from investment activities, Michener manages this risk through its investment policy that has established criteria for the selection of investments that include benchmarks.

Liquidity risk

Liquidity risk is the risk Michener will not be able to meet its financial obligations when they come due. Michener manages its liquidity risk by forecasting cash flows from operations and anticipating investing and financing activities and maintaining credit facilities to ensure it has sufficient available funds to meet current and foreseeable financial requirements.

Interest rate risk

Michener is exposed to interest rate risk with respect to its investments in fixed income investments because the fair value will fluctuate due to changes in market interest rates. In addition, Michener is exposed to interest rate risk with respect to advances on its demand credit facilities because cash flows will fluctuate because the interest rate is linked to the bank's prime rate, which change from time to time.

Other price risk

Michener is exposed to other price risk through changes in market prices [other than changes arising from interest rate risk or currency risk] in connection with its investments in equity securities and pooled funds.

A 10% change in the market prices of these investments, with all other variables held constant, would have a \$263,684 impact on accumulated remeasurement gains.

14. COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel corona virus ["COVID-19"] as a pandemic, which has resulted in a series of public health and emergency measures that have been put into place to combat the spread of the virus. As a result of Michener's COVID-19 response, Michener is experiencing a change in delivery for its services and is working diligently to mitigate the financial impacts while carrying out its response to the impacts of COVID-19.

The impact of COVID-19 has led to significant volatility and declines in the global equity and fixed income markets during the first quarter of 2020, and it is uncertain how long this volatility will continue, which could potentially lead to further decreases in the value and income of the investment portfolio. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess.

Management considered the impact of COVID-19 in its assessment of Michener's assets and liabilities and its ability to continue as a going concern. Although COVID-19 has had an impact on operations, measures will be implemented to ensure that Michener is still able to maintain its core operations.