

Children's Treatment Centre of Chatham-Kent

Financial Statements

For the year ended March 31, 2020

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Independent Auditor's Report

To the Board of Directors of the
Children's Treatment Centre of Chatham-Kent:

Qualified Opinion

We have audited the accompanying financial statements of Children's Treatment Centre of Chatham-Kent, which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in fund balances 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 Centre as at March 31, 2020, and its results of 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 not-for-profit organizations, the Centre derives revenue from 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 Centre. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2020 and 2019, current assets as at March 31, 2020 and 2019, and net assets as at April 1 and March 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended March 31, 2019 was modified accordingly because of the possible effects of this limitation in 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 Centre 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 qualified audit opinion.



Responsibilities of Management and Those Charged with Governance 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. In preparing the financial statements, management is responsible for assessing the Centre'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 Centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Centre'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 Centre'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 Centre'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 Centre 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Chatham, Ontario
June 18, 2020

**Children's Treatment Centre of Chatham-Kent
Statement of Operations**

Year Ended March 31, 2020

	General Fund							Total	Building and Equipment Fund	Total
	Core Program	Special Needs Program	Respite Program	Early Words Program	Best Start Program	Integrated Rehab	Other Programs			
Revenue										
Ministry	\$ 2,431,010	\$ 327,309	\$ 53,103	\$ 431,309	\$ -	\$ 1,092,791	\$ -	\$ 4,335,522	\$ -	\$ 4,335,522
Municipal	-	-	-	-	140,000	-	-	140,000	-	140,000
Investment income	-	-	-	-	-	-	25,766	25,766	-	25,766
Donations	-	-	-	-	-	-	201,464	201,464	-	201,464
Other revenue (note 4)	157,313	8,873	-	-	-	-	320,149	486,335	-	486,335
Amortization of deferred capital contributions	-	-	-	-	-	-	-	-	45,386	45,386
	<u>2,588,323</u>	<u>336,182</u>	<u>53,103</u>	<u>431,309</u>	<u>140,000</u>	<u>1,092,791</u>	<u>547,379</u>	<u>5,189,087</u>	<u>45,386</u>	<u>5,234,473</u>
Expenses										
Salaries and benefits	2,243,234	289,004	45,812	366,230	134,523	307,016	306,092	3,691,911	-	3,691,911
Operations	183,994	19,277	7,291	65,079	2,395	785,775	19,660	1,083,471	-	1,083,471
Other expenses	161,095	27,901	-	-	-	-	174,336	363,332	-	363,332
	<u>2,588,323</u>	<u>336,182</u>	<u>53,103</u>	<u>431,309</u>	<u>136,918</u>	<u>1,092,791</u>	<u>500,088</u>	<u>5,138,714</u>	<u>-</u>	<u>5,138,714</u>
Revenue over Expenses before Other Expense	-	-	-	-	3,082	-	47,291	50,373	45,386	95,759
Other Expense										
Amortization	-	-	-	-	-	-	-	-	139,399	139,399
Excess of Revenues over Expenses (Expenses over Revenue)	\$ -	\$ -	\$ -	\$ -	\$ 3,082	\$ -	\$ 47,291	\$ 50,373	\$ (94,013)	\$ (43,640)

The accompanying notes are an integral part of these financial statements.

**Children's Treatment Centre of Chatham-Kent
Statement of Operations**

Year Ended March 31, 2019

	General Fund							Total	Building and Equipment Fund	Total
	Core Program	Special Needs Program	Respite Program	Early Words Program	Best Start Program	Integrated Rehab	Other Programs			
Revenue										
Ministry	\$ 2,401,551	\$ 338,000	\$ 58,599	\$ 431,309	\$ -	\$ 523,729	\$ -	\$ 3,753,188	\$ -	\$ 3,753,188
Municipal	-	-	-	-	140,000	-	-	140,000	-	140,000
Investment income	-	-	-	-	-	-	30,507	30,507	-	30,507
Donations	-	-	-	-	-	-	167,576	167,576	-	167,576
Other revenue (note 4)	141,117	5,314	-	-	-	-	446,839	593,270	6,058	599,328
Amortization of deferred capital contributions	-	-	-	-	-	-	-	-	33,747	33,747
	<u>2,542,668</u>	<u>343,314</u>	<u>58,599</u>	<u>431,309</u>	<u>140,000</u>	<u>523,729</u>	<u>644,922</u>	<u>4,684,541</u>	<u>39,805</u>	<u>4,724,346</u>
Expenses										
Salaries and benefits	2,205,076	268,386	52,358	365,039	135,916	77,130	355,801	3,459,706	-	3,459,706
Operations	187,493	39,458	6,241	66,270	3,994	446,599	5,522	755,577	-	755,577
Other expenses	150,099	35,470	-	-	-	-	230,044	415,613	6,058	421,671
	<u>2,542,668</u>	<u>343,314</u>	<u>58,599</u>	<u>431,309</u>	<u>139,910</u>	<u>523,729</u>	<u>591,367</u>	<u>4,630,896</u>	<u>6,058</u>	<u>4,636,954</u>
Revenue over Expenses before Other Expense	-	-	-	-	90	-	53,555	53,645	33,747	87,392
Other Expense										
Amortization	-	-	-	-	-	-	-	-	130,361	130,361
Excess of Revenues over Expenses (Expenses over Revenue)	\$ -	\$ -	\$ -	\$ -	\$ 90	\$ -	\$ 53,555	\$ 53,645	\$ (96,614)	\$ (42,969)

The accompanying notes are an integral part of these financial statements.

Children's Treatment Centre of Chatham-Kent Statement of Financial Position

At March 31,

2020

	General Fund	Building and Equipment Fund	Combined
Assets			
Current			
Cash	\$ 483,011	\$ -	\$ 483,011
Investments (note 5)	445,347	-	445,347
Accounts receivable	110,425	-	110,425
Due from Children's Treatment Centre Foundation of Chatham-Kent (note 6)	85,816	-	85,816
Prepaid expenses	62,337	-	62,337
Deposit (note 7)	-	250,000	250,000
Due from the Building and Equipment Fund (note 8)	243,557	-	243,557
	1,430,493	250,000	1,680,493
Long-Term			
Investments (note 5)	190,000	-	190,000
Capital assets (note 9)	-	911,028	911,028
	190,000	911,028	1,101,028
	\$ 1,620,493	\$ 1,161,028	\$ 2,781,521
Liabilities and Fund Balances			
Current Liabilities			
Accounts payable and accrued liabilities (note 10)	\$ 408,147	\$ -	\$ 408,147
Deferred contributions (note 11)	80,613	50,000	130,613
Due to the General Fund (note 8)	-	243,557	243,557
	488,760	293,557	782,317
Long-Term Liabilities			
Deferred capital contributions (note 12)	-	550,648	550,648
	488,760	844,205	1,332,965
Fund Balances			
Invested in capital assets	-	316,823	316,823
Internally restricted (note 13)	71,399	-	71,399
Unrestricted	1,060,334	-	1,060,334
	1,131,733	316,823	1,448,556
	\$ 1,620,493	\$ 1,161,028	\$ 2,781,521

Subsequent Events (note 2)

Approved on behalf of the Board:

_____ Director

_____ Director

The accompanying notes are an integral part of these financial statements.

Children's Treatment Centre of Chatham-Kent Statement of Financial Position

At March 31,

2019

	General Fund	Building and Equipment Fund	Combined
Assets			
Current			
Cash	\$ 491,058	\$ -	\$ 491,058
Investments (note 5)	274,678	-	274,678
Accounts receivable	116,710	-	116,710
Due from Children's Treatment Centre Foundation of Chatham-Kent (note 6)	60,233	-	60,233
Prepaid expenses	78,400	-	78,400
Due from the Building and Equipment Fund (note 8)	43,557	-	43,557
	1,064,636	-	1,064,636
Long-Term			
Investments (note 5)	515,675	-	515,675
Capital assets (note 9)	-	963,719	963,719
	515,675	963,719	1,479,394
	\$ 1,580,311	\$ 963,719	\$ 2,544,030
Liabilities and Fund Balances			
Current Liabilities			
Accounts payable and accrued liabilities (note 10)	\$ 349,546	\$ -	\$ 349,546
Deferred contributions (note 11)	149,405	-	149,405
Due to the General Fund (note 8)	-	43,557	43,557
	498,951	43,557	542,508
Long-Term Liabilities			
Deferred capital contributions (note 12)	-	509,326	509,326
	498,951	552,883	1,051,834
Fund Balances			
Invested in capital assets	-	410,836	410,836
Internally restricted (note 13)	322,140	-	322,140
Unrestricted	759,220	-	759,220
	1,081,360	410,836	1,492,196
	\$ 1,580,311	\$ 963,719	\$ 2,544,030

The accompanying notes are an integral part of these financial statements.

Children's Treatment Centre of Chatham-Kent Statement of Changes in Fund Balances

For the year ended March 31, 2020

	General Fund			Total	Building and Equipment Fund	
	Internally Restricted	Externally restricted	Unrestricted		Invested in Capital Assets	Total
Balance, beginning of year	\$ 322,140	\$ -	\$ 759,220	\$ 1,081,360	\$ 410,836	\$ 1,492,196
Excess (deficiency) of revenue over expenses	(250,741)	-	301,114	50,373	(94,013)	(43,640)
Investment in capital assets	-	(86,708)	-	(86,708)	86,708	-
Deferred contributions	-	86,708	-	86,708	(86,708)	-
	<u>\$ 71,399</u>	<u>\$ -</u>	<u>\$ 1,060,334</u>	<u>\$ 1,131,733</u>	<u>\$ 316,823</u>	<u>\$ 1,448,556</u>

For the year ended March 31, 2019

	General Fund			Total	Building and Equipment Fund	
	Internally Restricted	Externally restricted	Unrestricted		Invested in Capital Assets	Total
Balance, beginning of year	\$ 322,602	\$ -	\$ 705,113	\$ 1,027,715	\$ 507,450	\$ 1,535,165
Excess (deficiency) of revenue over expenses	(462)	-	54,107	53,645	(96,614)	(42,969)
Investment in capital assets	-	(147,690)	-	(147,690)	147,690	-
Transfer between Building and Equipment fund and General fund	-	147,690	-	147,690	(147,690)	-
	<u>\$ 322,140</u>	<u>\$ -</u>	<u>\$ 759,220</u>	<u>\$ 1,081,360</u>	<u>\$ 410,836</u>	<u>\$ 1,492,196</u>

The accompanying notes are an integral part of these financial statements.

Children's Treatment Centre of Chatham-Kent Statement of Cash Flows

Year Ended March 31,	2020	2019
Cash derived from (applied to)		
Operations		
Excess of revenue over expenses (expenses over revenue)	\$ (43,640)	\$ (42,969)
Amortization of capital assets	139,399	130,361
Amortization of deferred capital contributions	(45,386)	(33,747)
Gain on disposal of bonds	-	(3,909)
	50,373	49,736
Decrease (increase) in accounts receivable	(19,298)	42,356
Decrease (increase) in prepaid expenses	16,063	(29,192)
Increase (decrease) in accounts payable and accrued liabilities	58,601	(2,664)
Increase (decrease) in deferred contributions	(18,792)	66,183
	36,574	76,683
Net increase in cash from operations	86,947	126,419
Financing Activities		
Deferred capital contributions	86,708	147,690
Investments		
Purchase of capital assets	(86,708)	(147,690)
Deposit	(250,000)	-
Purchase of investments	(172,205)	(209,307)
Proceeds on disposal of investments	327,211	196,716
	(181,702)	(160,281)
Change in Cash Position	(8,047)	113,828
Cash position at beginning of year	491,058	377,230
Cash position at end of year	\$ 483,011	\$ 491,058

The accompanying notes are an integral part of these financial statements.

Children's Treatment Centre of Chatham-Kent

Notes to Financial Statements

Year Ended March 31, 2020

1. Nature of Operations and Summary of Significant Accounting Policies

(a) Nature and Purpose of Organization

Children's Treatment Centre of Chatham-Kent ("the Centre") is a non-profit organization incorporated without share capital under the Corporations Act of Ontario. The Centre's principal activities include audiology and children's rehabilitation.

The Centre is a registered charity under the Income Tax Act and, as such, is exempt from income taxes provided certain requirements of the Income Tax Act are met and may issue income tax receipts to donors.

(b) Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

(c) Revenue Recognition

The Centre follows the deferral method of accounting for contributions which includes donations and government grants.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonable assured.

Deferred contributions related to capital assets are amortized and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

(d) Deferred Capital Contributions

Deferred capital contributions consist of funds received for the purchase of capital assets. The funds are to be amortized over the same life as the tangible capital assets which they financed.

(continued)

Children's Treatment Centre of Chatham-Kent

Notes to Financial Statements

Year Ended March 31, 2020

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

(e) Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis over their estimated useful lives as follows:

Building	40 years
Equipment	5 - 10 years
Land improvements	12.5 years

Amortization expense is reported in the Building and Equipment Fund.

(f) Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

(g) Contributed Services

Contributed materials and services are not recognized in the financial statements.

(h) Use of Estimates

The preparation of financial statements in accordance with Canadian standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Children's Treatment Centre of Chatham-Kent

Notes to Financial Statements

Year Ended March 31, 2020

2. Subsequent Events

Subsequent to the year end, the impact of COVID-19 in Canada and on the global economy increased significantly.

The Centre has continued to receive its funding from the Ministry of Children, Community and Social Services, and where feasible is providing services to clients remotely. Revenue from user pay programs and audiology dispensary services have been reduced since the building and in-person services have been temporarily closed. All staff have continued to be paid.

As the impacts of COVID-19 continue there could be further impact on the Centre and its clients, funders, donors, suppliers and other third party business associates that could impact the timing and amounts realized on the Centre's assets and future cash flows. At this time the full potential impact of COVID-19 is not known.

3. Economic Dependence

The majority of the funding for the Centre is from the Province of Ontario in accordance with budget arrangements established by the Ministry of Children, Community and Social Services. These financial statements reflect agreed funding arrangements approved by the Ministry with respect to the year ended March 31, 2020.

The Centre's building is located on government owned land. The Centre pays no rent for use of this land.

Children's Treatment Centre of Chatham-Kent

Notes to Financial Statements

Year Ended March 31, 2020

4. Other Revenue

Included in other revenue for the Core Program are internal transfers of \$145,826 (2018 - \$129,182) to cover general administrative costs for non-core programs. These general administrative costs are initially funded through the core program but allocated to other non-core programs based on staffing or other usage. The allocations are included in operations and other expenses for the non-core programs.

5. Investments

Investments in the General Fund are comprised of the following:

	2020	2019
Cash account	\$ 2,716	\$ 1,859
High interest savings account	116,931	83,888
Guaranteed investment certificates and other fixed income investments, average yield of 2.56%, maturing between April 2020 and October 2022	515,700	704,606
	<u>635,347</u>	<u>790,353</u>
Less investments maturing in one year	445,347	274,678
	<u>\$ 190,000</u>	<u>\$ 515,675</u>

6. Due from Children's Treatment Centre Foundation of Chatham-Kent

During the current year the Children's Treatment Centre of Chatham-Kent collected funds and paid for expenditures on behalf of the Children's Treatment Centre Foundation of Chatham-Kent. These transactions are in the normal course of operations and are measured at the carrying value. As at March 31, 2020 the Centre has a receivable of \$85,816 (2019- \$60,233) from the Children's Treatment Centre Foundation of Chatham-Kent. There are no fixed repayment terms or security.

Children's Treatment Centre of Chatham-Kent

Notes to Financial Statements

Year Ended March 31, 2020

7. Deposit

During the year the Centre transferred funds to Children's Treatment Centre Foundation of Chatham-Kent to facilitate the purchase of land for the construction of a new location. The Foundation has purchased the land with the intention that once the location is constructed the land and building will be transferred to the Centre. In the event that the building construction does not proceed, this deposit is to be returned to the Centre.

8. Due from the Building and Equipment Fund/ Due to the General Fund

This interfund amount represents amounts owing to the general fund by the building and equipment fund for capital assets paid for by the general fund. The balance is expected to be settled when funds received in the building and equipment fund through fundraising or grants are available to transfer to the general fund.

9. Capital Assets

	Cost	Accumulated Amortization	2020 Net Book Value
Building	\$ 2,632,230	\$ 2,069,094	\$ 563,136
Equipment	1,635,787	1,361,136	274,651
Land improvements	225,686	152,445	73,241
	<u>\$ 4,493,703</u>	<u>\$ 3,582,675</u>	<u>\$ 911,028</u>

	Cost	Accumulated Amortization	2019 Net Book Value
Building	\$ 2,597,808	\$ 2,003,668	\$ 594,140
Equipment	1,583,501	1,305,218	278,283
Land improvements	225,686	134,390	91,296
	<u>\$ 4,406,995</u>	<u>\$ 3,443,276</u>	<u>\$ 963,719</u>

10. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is \$76,624 (2019 - \$3,387) in government remittances payable.

Children's Treatment Centre of Chatham-Kent

Notes to Financial Statements

Year Ended March 31, 2020

11. Deferred Contributions

Deferred contributions consist of funds received from organizations and individuals to be used exclusively for the specialized assessment and treatment services of Centre clients as well as funding received for specific programs and other specified grants.

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	\$ 149,405	\$ 83,222
Amounts received for specified programs and uses	122,469	170,272
Less funds spent or repaid	<u>(141,261)</u>	<u>(104,089)</u>
Balance at end of the year	<u>\$ 130,613</u>	<u>\$ 149,405</u>

The outstanding specified programs and services related to the above contributions have varying dates of completion. Amounts received during the year include \$50,000 which is to be used only for a planned new building.

12. Deferred Capital Contributions

Deferred capital contribution related to capital assets represents the unamortized portion of grants and donations received for the purchase of capital assets.

	<u>2020</u>	<u>2019</u>
Balance at beginning of the year	\$ 509,326	\$ 395,383
Additional capital contributions	86,708	147,690
Less: Amounts amortized to revenue	<u>(45,386)</u>	<u>(33,747)</u>
Balance at end of the year	<u>\$ 550,648</u>	<u>\$ 509,326</u>

Children's Treatment Centre of Chatham-Kent

Notes to Financial Statements

Year Ended March 31, 2020

13. Internally Restricted Net Assets

The Board of Directors has internally restricted the General Fund as follows:

	2020	2019
Employee Donations - Jeans Day	\$ 5,462	\$ 6,203
Fitness Fun Campaign	65,937	65,937
Building Campaign	-	250,000
	\$ 71,399	\$ 322,140

These internally restricted amounts are not available for unrestricted purposes without approval of the Board of Directors. The funds set aside for the Building Campaign were used during the year (see note 7).

14. Financial Instrument Risk

The following analysis provides information about the Centre's risk exposure and concentration on financial instruments. There have been no significant changes in the nature or concentration of these risk exposures from the prior year.

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 Centre is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments.

Credit risk

Credit risk is the risk that the counterparty to a transaction will not pay. The majority of the Centre's receivables are from government sources and the organization works to ensure they meet all eligibility criteria in order to qualify to receive the funding.

Liquidity risk

Liquidity risk is the risk that the Centre encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Centre will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable.
