

# Peterborough Regional Health Centre Foundation

Financial statements  
March 31, 2023



# Independent auditor's report

To the Board of Directors of  
**Peterborough Regional Health Centre Foundation**

## Opinion

We have audited the financial statements of **Peterborough Regional Health Centre Foundation** [the "Foundation"], which comprise the statement of financial position as at March 31, 2023, and the statement of operations and changes in fund balances 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 the Foundation as at March 31, 2023, 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 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 the Foundation 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 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

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

*Ernst & Young LLP*

Toronto, Canada  
June 2, 2023

Chartered Professional Accountants  
Licensed Public Accountants



**Peterborough Regional Health Centre Foundation**

**Statement of financial position**

As at March 31

	2023	2022
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	2,888,970	2,518,785
Accounts receivable	83,711	68,883
Prepaid expenses	29,127	18,349
Inventory	44,551	37,840
<b>Total current assets</b>	<b>3,046,359</b>	<b>2,643,857</b>
Investments <i>[note 3[a]]</i>	13,922,249	12,659,567
Investments in insurance policy <i>[note 3[b]]</i>	22,000	94,634
Other receivables <i>[note 4]</i>	147,916	147,916
Capital assets, net <i>[note 5]</i>	46,582	48,171
	<b>17,185,106</b>	<b>15,594,145</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities <i>[note 6[a]]</i>	163,611	243,652
Commitments payable to PRHC <i>[note 6[e]]</i>	1,345,998	817,732
<b>Total current liabilities</b>	<b>1,509,609</b>	<b>1,061,384</b>
Deferred revenue <i>[note 4]</i>	177,024	148,020
Other liabilities	97,733	92,733
<b>Total liabilities</b>	<b>1,784,366</b>	<b>1,302,137</b>
<b>Fund balances</b>		
Unrestricted Fund	1,127,729	1,852,401
Restricted Fund <i>[note 9]</i>	8,425,998	6,644,480
Endowment Fund <i>[note 10]</i>	5,847,013	5,795,127
<b>Total fund balances</b>	<b>15,400,740</b>	<b>14,292,008</b>
	<b>17,185,106</b>	<b>15,594,145</b>

See accompanying notes

On behalf of the Board:



Director



Director

**Peterborough Regional Health Centre Foundation**

**Statement of operations and changes in fund balances**

Year ended March 31

	Unrestricted Funds		Restricted Funds		Endowment Funds		Total Funds	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>								
Donations and fundraising [note 8]	1,334,618	1,275,036	6,303,314	6,409,292	10,780	660	7,648,712	7,684,988
Investment income	226,675	263,606	11,102	129,400	8,611	—	246,388	393,006
	<u>1,561,293</u>	<u>1,538,642</u>	<u>6,314,416</u>	<u>6,538,692</u>	<u>19,391</u>	<u>660</u>	<u>7,895,100</u>	<u>8,077,994</u>
<b>Expenses [note 6(c)]</b>								
Salaries and benefits [note 7]	1,170,886	1,059,009	—	—	—	—	1,170,886	1,059,009
Fundraising	326,891	229,817	11,129	2,497	—	—	338,020	232,314
Administrative [note 9]	173,329	143,392	41,567	77,733	—	—	214,896	221,125
	<u>1,671,106</u>	<u>1,432,218</u>	<u>52,696</u>	<u>80,230</u>	<u>—</u>	<u>—</u>	<u>1,723,802</u>	<u>1,512,448</u>
Excess (deficiency) of revenue over expenses before grants	(109,813)	106,424	6,261,720	6,458,462	19,391	660	6,171,298	6,565,546
Gifts to Peterborough Regional Health Centre ["PRHC"] [note 6(b)]	(582,925)	(80,741)	(4,479,641)	(4,265,988)	—	—	(5,062,566)	(4,346,729)
Excess (deficiency) of revenue over expenses	(692,738)	25,683	1,782,079	2,192,474	19,391	660	1,108,732	2,218,817
Interfund transfers [note 11]	(31,934)	(240,027)	(561)	(111,936)	32,495	351,963	—	—
Fund balances, beginning of year	1,852,401	2,066,745	6,644,480	4,563,942	5,795,127	5,442,504	14,292,008	12,073,191
<b>Fund balances, end of year</b>	<u>1,127,729</u>	<u>1,852,401</u>	<u>8,425,998</u>	<u>6,644,480</u>	<u>5,847,013</u>	<u>5,795,127</u>	<u>15,400,740</u>	<u>14,292,008</u>

See accompanying notes

# Peterborough Regional Health Centre Foundation

## Statement of cash flows

Year ended March 31

	2023	2022
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses	1,108,732	2,218,817
Amortization of capital assets	10,813	9,564
Changes in non-cash operating working capital items related to operations		
Accounts receivable	(14,828)	(20,398)
Inventory	(6,711)	13,715
Prepaid expenses	(10,778)	(704)
Accounts payable and accrued liabilities	(80,041)	141,432
Commitments payable to PRHC	528,266	(94,117)
Deferred revenue	29,004	(41)
Other liabilities	5,000	5,000
<b>Cash provided by operating activities</b>	<b>1,569,457</b>	<b>2,273,268</b>
<b>Financing activities</b>		
Purchase of capital assets	(9,224)	(3,843)
<b>Cash used in financing activities</b>	<b>(9,224)</b>	<b>(3,843)</b>
<b>Investing activities</b>		
Recovery (payment) of premiums on donated life insurance policy	72,634	(15,771)
Change in investments, net	(1,262,682)	28,427
<b>Cash provided by (used in) financing activities</b>	<b>(1,190,048)</b>	<b>12,656</b>
<b>Net increase in cash during the year</b>	<b>370,185</b>	<b>2,282,081</b>
Cash, beginning of year	2,518,785	236,704
<b>Cash, end of year</b>	<b>2,888,970</b>	<b>2,518,785</b>

See accompanying notes

# Peterborough Regional Health Centre Foundation

## Notes to financial statements

March 31, 2023

### 1. Nature of organization

Supporting outstanding patient care has been the purpose, promise and passion of the Peterborough Regional Health Centre Foundation [the "Foundation"] for more than 40 years. The Foundation works with the community, broader catchment area and philanthropic partners to transform patient care at Peterborough Regional Health Centre ["PRHC"]. The Foundation exists to make sure its dedicated doctors, nurses and staff have the tools they need to hasten identification and treatment of disease, shorten wait times, reduce pain and improve outcomes. The Foundation operates as an independent entity with its own Board of Directors. It raises support from the community and philanthropic partners to fund technology and projects that improve patient care but are not covered through government funding.

The Foundation is incorporated under the laws of Ontario as a corporation without share capital. The Foundation is a public foundation registered under the *Income Tax Act* (Ontario) and, accordingly, is exempt from income taxes, provided certain requirements of the *Income Tax Act* are met.

### 2. Summary of significant accounting policies

#### Basis of presentation

The financial statements of the Foundation are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, which sets our accounting principles for not-for-profit organizations in Canada and includes the following significant accounting policies summarized below.

#### Fund accounting

For financial reporting purposes, the Foundation's funds have been classified as follows:

The Unrestricted Fund accounts for the Foundation's program delivery and administrative activities. The Unrestricted Fund also includes general unrestricted revenues used to provide funding to PRHC for general equipment purchases. Investment income earned on these resources is included as revenue in the Unrestricted Fund.

The Restricted Fund includes monies received for specific purposes as specified by the donor. In addition, the Board of Directors of the Foundation may, from time to time, redirect unrestricted funds to specific project initiatives in the Restricted Fund.

The Endowment Fund includes those funds where either the donor or internal restrictions require that the principal be maintained by the Foundation on a permanent basis.

#### Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions, which includes bequests and other donations. Contributions are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Pledges, due to their inherent nature, are not recorded in the financial statements until received. Contributions are recognized as revenue in the Unrestricted Fund when initially recorded in the accounts. Externally restricted contributions, except endowment contributions, are recognized in the Restricted Fund when initially recorded in the accounts. Externally restricted endowment contributions are recognized in the Endowment Fund when initially recorded in the accounts.

## **Peterborough Regional Health Centre Foundation**

### **Notes to financial statements**

March 31, 2023

The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended in accordance with the wishes of the donor.

Investment income consists of interest, and realized and unrealized gains and losses, net of investment management fees. Investment income earned on the Endowment Fund or Restricted Fund resources that must be spent on donor-restricted activities is recognized as revenue of the Restricted Fund. Investment income subject to donor restrictions stipulating that it be added to the endowment is recognized as revenue of the Endowment Fund. Unrestricted investment income earned on Endowment Fund, Restricted Fund and General Fund resources is recognized as revenue of the General Fund. Investment losses are allocated in a manner consistent with investment income.

Gift shop sales revenue is recognized immediately upon sale to the customer.

#### **Contributed materials and services**

Contributed materials and services, which are used in the normal course of the Foundation's operations and would otherwise have been purchased, are recorded at their fair value at the date of the contribution if fair value can be reasonably estimated.

Volunteers contribute significant hours per year to assist the Foundation in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

#### **Gift-in-kind donations**

The Foundation raises support through gift-in-kind donations to receive items needed by PRHC or to reduce the cost of fundraising and operations. Gift-in-kind donations are only recognized if the donor provides an appraisal or invoice to support the value. When recorded as a donation, an equivalent amount is recorded as an expense or distribution to the respective campaigns.

#### **Financial instruments**

Investments reported at fair value consist of equity instruments that are quoted in an active market, as well as any investments in pooled funds and any investments in fixed income securities that the Foundation designates upon purchase to be measured at fair value. Guaranteed investment certificates are recorded at cost plus accrued interest, which approximates fair value. Transaction costs are recognized in the statement of operations and changes in fund balances in the period during which they are incurred.

Alternative investments are valued by the investment managers of these investments who perform valuations on the underlying investments on a quarterly basis. The value of these investments is recorded using the most recently available quarterly information from the fund manager adjusted for transactions to the year-end date, which approximates fair value. Because these interests are not readily traded, their estimated values are subject to uncertainty and, therefore, may differ from the values that would have been used had a ready market for such interests existed.



# Peterborough Regional Health Centre Foundation

## Notes to financial statements

March 31, 2023

Investments in fixed income and other 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 straight-line method, less any provision for impairment.

All transactions are recorded on a trade date basis. Transaction costs in respect of financial assets recorded at fair value are expensed as incurred.

Other financial instruments, including accounts and other receivables, investment in insurance policy and accounts and commitments payable are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

### Inventory

Inventory is stated at the lower of cost and net realizable value. Cost is generally determined on the first-in, first-out basis.

### Life insurance policies

The cash surrender value of life insurance policies, where the Foundation is the owner of the beneficiary, is recorded in the Restricted Fund.

### Capital assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of contribution. Capital assets are amortized using the following annual rates:

Furniture and equipment	10%–20%
Donor display	20%

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not contribute to the Foundation's ability to provide goods and services. Any impairment results in a write-down of the asset and an expense in the statement of operations and changes in fund balances. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

### Pension plan

The Foundation is part of a multi-employer defined benefit pension plan that is accounted for using defined contribution accounting.

### 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 as at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of these financial statements are employee future benefits, the present value of the charitable remainder trust and the useful life of capital assets. Actual results could differ from management's best estimates, as additional information becomes available in the future.

## Peterborough Regional Health Centre Foundation

### Notes to financial statements

March 31, 2023

#### 3. Investments

[a] Long-term investments consist of:

		2023	2022
	Carrying value	\$	\$
Cash	Fair value	2,408,129	1,286,107
Guaranteed investment certificates	Amortized cost	5,654,069	5,570,902
Fixed income	Fair value	847,422	928,428
Equities			
Canadian	Fair value	1,077,918	1,333,539
Global	Fair value	1,915,862	1,974,272
Alternative funds	Fair value	1,379,163	945,822
Hedge funds	Fair value	639,686	620,497
		<b>13,922,249</b>	<b>12,659,567</b>

As at March 31, 2023, guaranteed investment certificates and fixed income investments mature between April 2023 and March 2024 and yield between 2.175% and 5.165% [2022 – mature between April 2022 and March 2023 and yield between 0.375% and 2.115%].

[b] As at March 31, 2023, the Foundation is the named owner and beneficiary of life insurance policies with a cash surrender value totalling \$22,000 [2022 – \$94,634] and a face value totalling \$1,014,779 [2022 – \$1,350,000]. The Foundation is responsible for premium payments and is recording these payments as an asset.

#### 4. Other receivables

In 1998, a donor created an irrevocable charitable remainder trust and named the Foundation as one of the beneficiaries. Under the terms of the trust agreement, the Foundation will receive an amount upon the death of the donor. At the date of the establishment of the trust, this amount was \$160,045. The present value of this amount was initially recorded as a receivable and as deferred revenue when established and is adjusted periodically for changes in interest rates and the donor's life expectancy.

## Peterborough Regional Health Centre Foundation

### Notes to financial statements

March 31, 2023

#### 5. Capital assets

Capital assets consist of:

	2023		2022	
	Cost \$	Accumulated amortization \$	Net book value \$	Net book value \$
Furniture and equipment	6,174	4,570	1,604	2,838
Donor display	126,820	81,842	44,978	45,333
	<b>132,994</b>	<b>86,412</b>	<b>46,582</b>	<b>48,171</b>

Amortization expense, not disclosed separately in the statement of operations and changes in fund balances, is \$10,813 [2022 – \$9,564].

#### 6. Related party transactions

- [a] As at March 31, 2023, accounts payable and accrued liabilities include \$107,406 [2022 – \$95,923] for operating costs due to PRHC and \$1,345,997 [2021 – \$817,732] related to capital commitments payable to PRHC for equipment, technology and patient care. Amounts due to PRHC are non-interest bearing with no repayment terms.
- [b] During the year, the Foundation approved grants to PRHC of \$5,082,124 [2022 – \$4,353,756] for capital assets, minor equipment and education. Grants to PRHC recorded on the statement of operations and changes in fund balances of \$5,062,566 [2022 – \$4,346,729] includes approved funding during the year, net of adjustments related to the settlement of previously approved funding.
- [c] During the year, the Foundation reimbursed \$1,254,992 [2022 – \$1,090,577] to PRHC related to operating expenses incurred on behalf of the Foundation.
- [d] PRHC provides the Foundation with the use of office space and other services at no cost to the Foundation.
- [e] These transactions occur in the normal course of business and are recorded at their exchange amounts, which is the amount agreed upon by both parties.

#### 7. Pension plan and post-retirement benefits

The Foundation employees are members of the Healthcare of Ontario Pension Plan ["HOOPP" or the "Plan"], which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death that provide the highest earnings.

## Peterborough Regional Health Centre Foundation

### Notes to financial statements

March 31, 2023

Variations between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. Each year an independent actuary determines the funding status of the Plan. The most recent actuarial valuation of the Plan as at December 31, 2022 indicates the Plan is fully funded. HOOPP's statement of financial position as at December 31, 2022 disclosed total pension obligations of \$92,721 million with net assets at that date of \$103,674 million indicating a surplus of \$10,953 million. Because the plan is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario Hospital Association members and their employees. As a result, the Foundation does not recognize any share of the Plan surplus or deficit.

Employer contributions made to the Plan during the year by the Foundation are reflected in salaries and benefits expenses in the statement of operations and changes in fund balances and amounted to \$94,894 [2021 – \$78,457].

#### 8. Gift shop

Donation and fundraising revenue includes net revenue generated from the gift shop operation as follows:

	2023 \$	2022 \$
Revenue	472,475	224,895
Expenses	309,183	172,407
	<u>163,292</u>	<u>52,488</u>

#### 9. Restricted Fund

The Restricted Fund includes internally and externally restricted amounts as noted below:

	2023 \$	2022 \$
Restricted at the discretion of the donor	6,799,382	5,617,864
Restricted at the discretion of the Board of Directors	1,626,616	1,026,616
	<u>8,425,998</u>	<u>6,644,480</u>

#### Donor-restricted gifts

As at the year-end, the Foundation had numerous restricted gifts under its control. These funds are established as restricted donations are received and collapsed when the funds have been fully expended for their restricted purpose.

#### Internally restricted funds

The Foundation has created an internally restricted Board Operating Reserve Fund within the Restricted Fund to provide emergency funds for operating the Foundation should the need arise. Internally restricted amounts are not available for other purposes without approval of the Board of Directors.

# Peterborough Regional Health Centre Foundation

## Notes to financial statements

March 31, 2023

### 10. Endowment Fund

- [a] The Endowment Fund represents funds that are set aside and invested to produce an annual and dependable source of income for specific donor designated purposes, to support annual funding priorities of PRHC or to support the operations of the Foundation.

The Endowment Fund consists of the following:

	2023 \$	2022 \$
Externally endowed funds	895,807	899,026
Internally endowed funds	4,951,206	4,896,101
	<u>5,847,013</u>	<u>5,795,127</u>

- [b] Investment income earned on the Endowment Fund is made available for distribution annually. Any undistributed funds are returned to the Endowment Fund.

During the year, the Foundation earned investment income of \$47,376 [2022 – \$356,213] on the Endowment Fund. Of this amount, \$8,611 [2022 – \$55,714] was earned on externally endowed funds and is recorded in the Endowment Fund. The remaining \$38,765 [2022 – \$290,500] was earned on internally endowed funds, of which \$27,663 [2022 – \$209,745] was recorded in the Unrestricted Fund and \$11,102 [2022 – \$80,755] was recorded in the Restricted Fund.

Undisbursed income of \$27,663 [2022 – \$226,813] and \$11,102 [2022 – \$110,936] was transferred from the Unrestricted and Restricted Funds, respectively, to the Endowment Fund [note 11].

**Peterborough Regional Health Centre Foundation**

**Notes to financial statements**

March 31, 2023

**11. Inter-fund transfers**

Inter-fund transfers that relate to reallocations of funds and administrative allocations have been effected in accordance with the Board of Directors' approved policies.

Inter-fund transfers consist of the following:

	<b>2023</b>		
	<b>Unrestricted Fund</b>	<b>Restricted Fund</b>	<b>Endowment Fund</b>
	\$	\$	\$
Undisbursed investment income earned on internally endowed funds <i>[note 10[b]]</i>	(27,663)	(11,102)	38,765
Shortfall of investment income earned on amounts made available for disbursement	—	10,541	(10,541)
Other transfers at the discretion of the Board of Directors	(4,271)	—	4,271
	<b>(31,934)</b>	<b>(561)</b>	<b>32,495</b>

  

	<b>2022</b>		
	<b>Unrestricted Fund</b>	<b>Restricted Fund</b>	<b>Endowment Fund</b>
	\$	\$	\$
Undisbursed investment income earned on externally endowed funds <i>[note 10[b]]</i>	(17,068)	(30,181)	47,249
Undisbursed investment income earned on internally endowed funds <i>[note 10[b]]</i>	(209,745)	(80,755)	290,500
Other transfers at the discretion of the Board of Directors	(13,214)	(1,000)	14,214
	<b>(240,027)</b>	<b>(111,936)</b>	<b>351,963</b>

**12. Financial instruments and risk management**

The Foundation is exposed to various financial risks through transactions in financial instruments. Most of these risks are related to investments. To manage the risks related to investments, the Foundation has determined an investment strategy and asset mix that reflects a total investment return consistent with capital preservation, risk tolerance and liquidity needs of the Foundation. An investment policy was established to monitor and limit risks across asset classes, as well as the total portfolio. If the measured risk of the portfolio exceeds the limits set by the policy, actions will be taken to reduce the portfolio's risk.

# Peterborough Regional Health Centre Foundation

## Notes to financial statements

March 31, 2023

### **Credit risk**

The Foundation is exposed to credit risk in connection with its short-term and fixed income investments because of the risk of financial loss caused by a counterparty's potential inability to fulfill its contractual obligations. Further, the Foundation has cash in a major financial institution in excess of the amount insured by agencies of the federal government. To manage credit risk exposure, the Foundation only invests in high-quality securities. Fixed limits are established for individual counterparties and these are monitored regularly.

### **Interest rate risk**

The Foundation is exposed to interest rate risk with respect to its investments in fixed income securities and pooled funds that hold fixed income securities, because the fair value of financial instruments or future cash flows associated with these instruments will fluctuate due to changes in market interest rates. The Foundation manages its investments based on its cash flow needs and with a view to optimizing its interest income.

The Foundation is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and current liabilities.

### **Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Foundation has investments in US equities, the value of which fluctuates in part as a result of changes in foreign exchange rates. The Foundation mitigates its foreign currency risk exposure by limiting the extent of foreign currency exposure to United States and other foreign equities.

### **Market risk**

Market risk arises from the possibility that changes in equity prices will affect the value of investments held by the Foundation. The Foundation endeavours to mitigate this risk by adopting an investment policy that provides appropriate portfolio diversification.

