

**Northumberland Hills Hospital Foundation**  
**Financial Statements**  
**For the year ended March 31, 2018**

**Contents**

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## Independent Auditor's Report

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### To the Members of Northumberland Hills Hospital Foundation

We have audited the accompanying financial statements of Northumberland Hills Hospital Foundation, which comprise the statement of financial position as at March 31, 2018, and the statements of changes in net assets, revenues and expenses and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Basis for Qualified Opinion

In common with many charitable organizations, Northumberland Hills Hospital Foundation derives revenue from donations and fundraising, 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 organization. Therefore, we were not able to determine whether any adjustments might be necessary to donation and fundraising revenues, excess of revenues over expenses and cash flows from operations for the years ended March 31, 2018, 2017 and 2016, current assets as at March 31, 2018 and 2017, and net assets as at April 1 and March 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended March 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

### Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Northumberland Hills Hospital Foundation as at March 31, 2018 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.

**BDO Canada LLP**

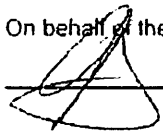
Chartered Professional Accountants, Licensed Public Accountants

Cobourg, Ontario  
June 15, 2018

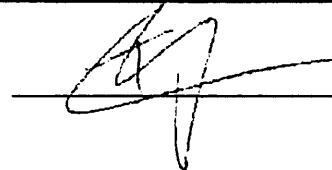
**Northumberland Hills Hospital Foundation  
Statement of Financial Position**

March 31	General Fund	Equipped to Care Fund	Overhead Reserve Fund	Endowment Fund	Future Equipment Reserve Fund	2018	2017
<b>Assets</b>							
<b>Current</b>							
Cash	\$ 52,250	\$ -	\$ -	\$ -	\$ -	\$ 52,250	\$ 13,091
HST receivable	17,943	-	-	-	-	17,943	13,403
Investments (Note 3)	4,311,401	-	429,535	108,247	2,399,884	7,249,067	4,019,160
Interfund receivable (payable)	(2,126,910)	3,276,910	-	-	(1,150,000)	-	-
	<u>2,254,684</u>	<u>3,276,910</u>	<u>429,535</u>	<u>108,247</u>	<u>1,249,884</u>	<u>7,319,260</u>	<u>4,045,654</u>
Investments (Note 3)	-	-	-	4,525,407	-	4,525,407	7,510,561
	<u>\$ 2,254,684</u>	<u>\$ 3,276,910</u>	<u>\$ 429,535</u>	<u>\$ 4,633,654</u>	<u>\$ 1,249,884</u>	<u>\$ 11,844,667</u>	<u>\$ 11,556,215</u>
<b>Liabilities and Net Assets</b>							
<b>Liabilities</b>							
Accounts payable and accrued liabilities	\$ 36,090	\$ -	\$ -	\$ -	\$ -	\$ 36,090	\$ 37,640
Accounts payable - NHH equipment purchases	840,740	-	-	-	-	840,740	1,320,212
Accounts payable - NHH gerontological program	-	-	-	-	-	-	36,000
Accounts payable - NHH educational program	-	-	-	-	-	-	90,000
Deferred revenue	110,994	-	-	-	-	110,994	-
	<u>987,824</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>987,824</u>	<u>1,483,852</u>
<b>Net Assets</b>							
Restricted	-	2,276,910	-	4,175,044	-	6,451,954	3,782,603
Internally restricted	-	1,000,000	429,535	458,610	1,249,884	3,138,029	1,877,478
Unrestricted	1,266,860	-	-	-	-	1,266,860	4,412,282
	<u>1,266,860</u>	<u>3,276,910</u>	<u>429,535</u>	<u>4,633,654</u>	<u>1,249,884</u>	<u>10,856,843</u>	<u>10,072,363</u>
	<u>\$ 2,254,684</u>	<u>\$ 3,276,910</u>	<u>\$ 429,535</u>	<u>\$ 4,633,654</u>	<u>\$ 1,249,884</u>	<u>\$ 11,844,667</u>	<u>\$ 11,556,215</u>

On behalf of the Board



Director



Director

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

## Northumberland Hills Hospital Foundation Statement of Changes in Net Assets

For the year ended March 31

2018

2017

	General Fund	Equipped to Care Fund	Overhead Reserve Fund	Endowment Fund	Future Equipment Reserve Fund	Total	Total
Balance, beginning of year	\$ 1,643,578	\$ 2,768,704	\$ 423,828	\$ 4,208,465	\$ 1,027,788	\$ 10,072,363	\$ 7,320,011
Excess (deficiency) of revenues over expenses	(302,426)	508,206	5,707	550,897	22,096	784,480	2,752,352
	1,341,152	3,276,910	429,535	4,759,362	1,049,884	10,856,843	10,072,363
<b>Interfund transfers</b>							
Internal commitment	(48,201)	-	-	(151,799)	200,000	-	-
Internal fund transfer - planned giving	(35,091)	-	-	35,091	-	-	-
Administration fee	9,000	-	-	(9,000)	-	-	-
<b>Balance, end of year</b>	<b>\$ 1,266,860</b>	<b>\$ 3,276,910</b>	<b>\$ 429,535</b>	<b>\$ 4,633,654</b>	<b>\$ 1,249,884</b>	<b>\$ 10,856,843</b>	<b>\$ 10,072,363</b>

## Northumberland Hills Hospital Foundation Statement of Revenues and Expenses

For the year ended March 31

	2018		2017		2016			
	General Fund	Equipped to Care Fund	Overhead Reserve Fund	Endowment Fund	Future Equipment Reserve Fund	Total	Total	Total
<b>Revenues</b>								
Donations	\$ 390,852	\$ -	\$ -	\$ -	\$ -	\$ 390,852	\$ 1,135,000	\$ 548,405
Equipped to Care Program	-	574,554	-	-	-	574,554	811,800	2,488,004
Caring for Generations/Business partners	165,260	-	-	-	-	165,260	177,748	178,344
Signature events	620,384	41,650	-	-	-	662,034	558,899	574,926
Third party events	58,343	-	-	-	-	58,343	73,541	63,466
In Memoriam donations/Commemorative giving	130,109	-	-	-	-	130,109	77,820	120,247
Planned giving	350,915	-	-	-	-	350,915	1,582,878	12,707
Pledge redemptions - Care Close to Home	-	-	-	-	-	-	-	5,414
Endowment donations	-	-	-	415,518	-	415,518	391,372	321,937
	<b>1,715,863</b>	<b>616,204</b>	<b>-</b>	<b>415,518</b>	<b>-</b>	<b>2,747,585</b>	<b>4,809,058</b>	<b>4,313,450</b>
<b>Expenses</b>								
Advertising and creative	7,953	-	-	-	-	7,953	1,513	1,139
Bank charges	10,009	-	-	-	-	10,009	10,024	10,709
Board/staff development and travel	2,597	-	-	-	-	2,597	3,566	6,298
Computer supplies and software	8,507	-	-	-	-	8,507	8,507	6,638
Fundraising	143,143	14,036	-	-	-	157,179	149,503	135,388
Hospital services chargeback	6,236	-	-	-	-	6,236	6,236	6,236
Mailings and postage	8,540	-	-	-	-	8,540	12,619	15,507
Memberships	1,859	-	-	-	-	1,859	1,872	1,914
Office and miscellaneous	14,656	-	-	-	-	14,656	11,766	8,483
Printing and newsletter	6,598	-	-	-	-	6,598	6,563	8,476
Professional and contract services	27,659	-	-	-	-	27,659	31,877	39,471
Salaries and benefits	297,750	-	-	-	-	297,750	292,596	296,073
Stewardship	13,868	-	-	-	-	13,868	13,717	12,538
	<b>549,375</b>	<b>14,036</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>563,411</b>	<b>550,359</b>	<b>548,870</b>
<b>Excess of revenues over expenses before investment income, expenses and distributions</b>	<b>1,166,488</b>	<b>602,168</b>	<b>-</b>	<b>415,518</b>	<b>-</b>	<b>2,184,174</b>	<b>4,258,699</b>	<b>3,764,580</b>
<b>Investment income and expenses</b>								
Investment income	62,024	-	11,305	103,764	22,096	199,189	204,534	205,784
Gain (loss) on sale of investments	(4,528)	-	-	87,997	-	83,469	(22,534)	(143,502)
Gain (loss) on sale of donated shares	-	-	-	-	-	-	(15,158)	(3,860)
Increase (decrease) in unrealized gain on investments	(4,603)	-	(5,598)	(4,167)	-	(14,368)	229,053	(78,375)
Investment administration fees	-	-	-	(52,215)	-	(52,215)	(49,611)	(42,472)
<b>Excess of revenues over expenses before distributions to Northumberland Hills Hospital</b>	<b>1,219,381</b>	<b>602,168</b>	<b>5,707</b>	<b>550,897</b>	<b>22,096</b>	<b>2,400,249</b>	<b>4,604,983</b>	<b>3,702,155</b>
<b>Donations and distributions to Hospital</b>	<b>1,521,807</b>	<b>93,962</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,615,769</b>	<b>1,852,631</b>	<b>938,902</b>
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ (302,426)</b>	<b>\$ 508,206</b>	<b>\$ 5,707</b>	<b>\$ 550,897</b>	<b>\$ 22,096</b>	<b>\$ 784,480</b>	<b>\$ 2,752,352</b>	<b>\$ 2,763,253</b>

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

## Northumberland Hills Hospital Foundation Statement of Cash Flows

For the year ended March 31

2018

2017

	General Fund	Equipped to Care Fund	Overhead Reserve Fund	Endowment Fund	Future Equipment Reserve Fund	Total	Total
<b>Cash flows from operating activities</b>							
Excess of revenues over expenses	\$ (302,426)	\$ 508,206	\$ 5,707	\$ 550,897	\$ 22,096	\$ 784,480	\$ 2,752,352
Items not involving cash							
Interfund transfers	(74,292)	-	-	(125,708)	200,000	-	-
Increase (decrease) in unrealized gain on investments	4,603	-	5,598	4,167	-	14,368	(229,053)
	(372,115)	508,206	11,305	429,356	222,096	798,848	2,523,299
Changes in non-cash working capital balances							
HST receivable	(4,540)	-	-	-	-	(4,540)	2,177
Interfund receivable (payable)	(641,794)	(508,206)	-	-	1,150,000	-	-
Accounts payable and accrued liabilities	(1,550)	-	-	-	-	(1,550)	1,242
Accounts payable - NHH equipment purchases	(479,472)	-	-	-	-	(479,472)	1,138,602
Accounts payable - NHH gerontological program	(36,000)	-	-	-	-	(36,000)	36,000
Accounts payable - NHH educational program	(90,000)	-	-	-	-	(90,000)	90,000
Deferred revenue	110,994	-	-	-	-	110,994	(10,000)
	(1,514,477)	-	11,305	429,356	1,372,096	298,280	3,781,320
<b>Cash flows from investing activities</b>							
Decrease (increase) in investments	1,553,636	-	(11,305)	(429,356)	(1,372,096)	(259,121)	(3,901,891)
<b>Increase (decrease) in cash during the year</b>	<b>39,159</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,159</b>	<b>(120,571)</b>
<b>Cash and equivalents, beginning of year</b>	<b>13,091</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,091</b>	<b>133,662</b>
<b>Cash and equivalents, end of year</b>	<b>\$ 52,250</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 52,250</b>	<b>\$ 13,091</b>

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

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# Northumberland Hills Hospital Foundation

## Notes to Financial Statements

March 31, 2018

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### 1. Nature of Operations and Summary of Significant Accounting Policies

#### Nature and Purpose of Organization

Northumberland Hills Hospital Foundation ("the Foundation") is incorporated without share capital under the Corporations Act, Ontario and is a charitable organization whose purpose is to raise funds for the Hospital and health care. The mission of the Foundation is to improve health care and the quality of life in our communities by growing and maintaining donor support for key hospital capital needs.

The Foundation is a registered charity, and accordingly is exempt from income tax and may issue income tax receipts to donors.

#### Basis of Accounting

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The accrual basis recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of goods or services received and the creation of a legal obligation to pay.

#### Fund Accounting

The Foundation follows the Restricted Fund method of accounting for contributions.

The General Fund represents all ongoing fundraising activities and supports other board approved programs. This fund is also known as the core activities account. The objective of the fund is to distribute up to 80% of the current year's undesignated net operating cash flow. Net operating cash flow represents total fundraising revenues less total administrative and program expenses, less designated gifts, and less 10% of the full amount of unrestricted bequests transferred to the endowment fund. Funds are disbursed upon request from the hospital for approved capital items and/or program expenses.

The Overhead Reserve Fund relates to an internally restricted fund balance with the objective to maintain a balance equal to the core activities expense budget for the next fiscal year. There are no deposits, withdrawals or transfers from this fund unless authorized by a board resolution.

The Endowment Fund consists of General and Named Endowments.

General Endowments are internally restricted and reflect 10% of the amount of general bequests received by the Foundation and unnamed endowments, to be held and invested permanently. Investment income on General Endowments is accumulated and will be disbursed annually to finance hospital capital requirements as approved by the Foundation Board and in accordance with Canada Revenue Agency requirements.

Named Endowments reflect externally restricted donation contributions, with a minimum donation amount of \$25,000, the proceeds of which are to be invested and held permanently by the Foundation, and subject to individual endowment agreements entered into by the specific donor and the Foundation. The investment income will be accumulated in the fund. Disbursements of income from the fund shall be in accordance with the terms of the specific endowment and Canada Revenue Agency requirements.

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# Northumberland Hills Hospital Foundation

## Notes to Financial Statements

March 31, 2018

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

**Fund accounting** The Future Equipment Reserve Fund represents 20% of the annual net operating cash flow (to an annual maximum of \$200,000) plus investment yield. The objective of the fund is to grow to \$1 million at which time the appropriateness of continuing to build the fund will be reviewed. In addition, this fund will include monies designated for special projects approved by the Foundation board.

The Equipped to Care Fund represents a program that focuses on equipment replacement in the Diagnostic Imaging Department and a Clinical Information System.

#### Foreign Currency Translations

Foreign currency amounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by using the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the balance sheet date. The resulting foreign exchange gains and losses are included in income in the current period.

#### Revenue Recognition

Externally restricted contributions (grants, donations, equipped to care program) are recognized in the fund corresponding to the purpose for which they are contributed.

Contributions are recognized as revenue in the General Fund and consists of Donations, Caring for Generations/Business partners, Signature and Third Party events, Planned Givings, and receipts from pledges. Donation contributions received for specific equipment are also included as revenue of the General Fund, if no specific restricted fund exists.

Investment income includes dividend and interest income, realized investment gains and losses on sales of investments, and unrealized gains and losses on investments measured at fair value.

#### Recognition of Pledges

Due to the uncertainty surrounding the collectibility of pledges, the organization does not recognize pledges until received, since they are not considered legal obligations.

#### Contributed Services

The Foundation would not be able to carry out its activities without the services of many volunteers who donate a considerable number of hours. Because of the difficulty of compiling these hours, contributed services are not recognized in the financial statements. The value of donated gifts-in-kind have not been reflected in the records as their monetary value cannot be ascertained.



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# Northumberland Hills Hospital Foundation

## Notes to Financial Statements

March 31, 2018

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

<b>Use of Estimates</b>	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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in the preparation of these financial statements include, but are not limited to, accounts payable and accrued liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.
<b>Investments</b>	Investments are recorded at fair value. Fair values of the investments are determined by reference to published price quotations provided by the organization's investment broker. Realized gains and losses on the sale of investments are determined on a completed transaction basis.
<b>Pension Plan</b>	The Foundation is part of a multi employer defined benefit pension plan which is accounted for using defined contribution accounting. The Foundation is unable to apply defined benefit accounting since the information is controlled by an external source (see Note 7).
<b>Financial Instruments</b>	The organization's financial assets consisting of HST receivable are recorded at fair value when acquired or issued. In subsequent periods they are reported at cost or amortized cost, less impairment, if applicable.
<b>Cash and equivalents</b>	Cash and cash equivalents consists of cash on hand and balances in bank accounts.

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### 2. Equipped to Care Fund

In a previous year, the Foundation initiated an Equipped to Care program with a focus on raising funds for the replacement of equipment in the Diagnostic Imaging Department and for a Clinical Information System. The related revenue, expenses and disbursements to the Hospital for this program has historically been reflected and included within the general fund of the Foundation. However, the Foundation has maintained the continuity records of this program internally.

For the 2018 fiscal year, the Equipped to Care Fund has been separated from the general fund and included in a separate column within the financial statements. The purpose of the segregation is to communicate the progress made in this program separately for the users of the financial statements, and to segregate the program related revenue, expenses and disbursements to the Hospital.

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## Northumberland Hills Hospital Foundation Notes to Financial Statements

**March 31, 2018**

### 3. Investments

	2018		2017	
	Cost	Accumulated Unrealized Gains (losses)	Market Value	Market Value
<b>General Fund</b>				
Cash	\$ 103,916	\$ -	\$ 103,916	\$ 3,873,265
High interest savings account	4,207,485	-	4,207,485	-
Fixed income and accrued interest	-	-	-	1,996,375
<b>Total general fund</b>	<b>4,311,401</b>	<b>-</b>	<b>4,311,401</b>	<b>5,869,640</b>
<b>Overhead Reserve</b>				
High interest savings account	272,279	-	272,279	-
Fixed income	157,256	-	157,256	423,828
<b>Total overhead reserve</b>	<b>429,535</b>	<b>-</b>	<b>429,535</b>	<b>423,828</b>
<b>Endowments</b>				
Cash	108,247	-	108,247	145,882
Fixed income	1,971,355	(70,544)	1,900,811	1,736,267
Market-indexed equities	958,053	192,493	1,150,546	1,074,491
U.S. Market-indexed equities	1,285,592	188,458	1,474,050	1,251,825
<b>Total endowments</b>	<b>4,323,247</b>	<b>310,407</b>	<b>4,633,654</b>	<b>4,208,465</b>
<b>Future Equipment Reserve Fund</b>				
Cash	-	-	-	13
High interest savings account	2,399,884	-	2,399,884	-
Fixed income	-	-	-	1,027,775
<b>Total future equipment reserve fund</b>	<b>2,399,884</b>	<b>-</b>	<b>2,399,884</b>	<b>1,027,788</b>
<b>Total investments</b>	<b>\$ 11,464,067</b>	<b>\$ 310,407</b>	<b>\$ 11,774,474</b>	<b>\$ 11,529,721</b>

The fixed income investments are comprised of guaranteed term deposits, government and corporate bonds and bankers acceptance notes. The various fixed income investments contain effective interest rates ranging from 0.80% to 5.05% and mature with dates ranging from June 2018 to September 2028.

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## Northumberland Hills Hospital Foundation Notes to Financial Statements

**March 31, 2018**

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#### 4. Related Party Transactions

During the year, the Foundation paid \$297,750 to the Northumberland Hills Hospital for personnel costs and benefits on a cost-recovery basis (2017 - \$292,596).

During the year, the Foundation paid \$6,236 to the Northumberland Hills Hospital for hospital service chargebacks (2017 - \$6,236).

Distributions of \$1,615,769 (2017 - \$1,852,631) were all made to the Northumberland Hills Hospital.

The year-end accounts payable and accrued liabilities include the following amounts owed to Northumberland Hills Hospital:

	<u>2018</u>	<u>2017</u>
Personnel costs and benefits	\$ 25,592	\$ 27,143
Equipment purchases and program funding	840,740	1,446,212
	<u>\$ 866,332</u>	<u>\$ 1,473,355</u>

These transactions are in the normal course of operations and are measured at the exchange value which represents the amount of consideration established and agreed to by the parties.

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#### 5. Commitments

The Foundation entered into an agreement to support key elements of the Northumberland Hills Hospital's Gerontology Program for a total cost of approximately \$498,700. As at March 31, 2018, approximately \$305,547 of costs have been incurred and related distributions made to the Northumberland Hills Hospital.

In the 2017 fiscal year, the Foundation received a donation of \$1,000,000. The Foundation decided that these funds would be used towards the purchase of a specific piece of equipment: an interventional radiography unit. The equipment purchase has not occurred as of year-end. This donation is reported as an internally restricted contribution under the Equipped to Care Fund, and the related monies are held within the investment account of the General Fund.

The Hospital has requested that the Foundation allocate funds for the future investment in a new clinical information system. The clinical information system is scheduled to be purchased in 2019 with a cost of approximately \$6,000,000. Due to the sizable contribution required for this project, the Foundation is planning its cash resources to ensure the funds are available for this expenditure.

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#### 6. Pledges

The Foundation defines a pledge as a commitment in writing with due dates extending beyond 12 months from the date the pledge is made. Pledges receivable are not reflected in the statement of financial position since they are not considered legal obligations.

The Foundation has pledges receivable of \$526,840 for the Equipped to Care Fund.

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## Northumberland Hills Hospital Foundation Notes to Financial Statements

**March 31, 2018**

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### **7. Pension Plan**

Substantially all of the employees of the Foundation are members of the Healthcare of Ontario Pension Plan (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. The Plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates to pay.

Variances 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, 2017 indicates the Plan is 122% funded.

Employer contributions made to the Plan during the year by the Foundation are reflected in the statement of operations and amounted to \$22,574 (2017 - \$20,940).

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### **8. Financial Instrument Risks**

#### **Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Foundation's bank accounts are held at a major financial institution and the investments are held primarily with one major investment broker.

#### **Interest Rate Risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income investments, which represent approximately 17% of the fair market value of the investments disclosed in Note 3 to these financial statements.

#### **Currency Rate Risk**

Currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Foundation is exposed to currency rate risk through its holdings in US market-indexed equities, which represent approximately 13% of the fair market value of the investments, as disclosed in Note 3 to these financial statements.

#### **Market Risk**

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or currency risk. The Foundation is exposed to market risk on its investments through fluctuations in the bond and equity markets and these investments are not guaranteed. To manage these risks, the Foundation uses independent investment advisors and has developed an investment policy guideline to reduce risk. The Foundation receives monthly statements and meets on a quarterly and yearly basis with investment counsel.

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