

Financial Statements of

THE KENSINGTON HEALTH FOUNDATION

June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Members of
THE KENSINGTON HEALTH FOUNDATION

Opinion

We have audited the financial statements of The Kensington Health Foundation ("the Foundation"), which comprise the balance sheet as at June 30, 2023 and the statements of revenue and expense, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at June 30, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for 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 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.

TORONTO, Ontario
November 29, 2023



Licensed Public Accountants

THE KENSINGTON HEALTH FOUNDATION

Balance Sheet

As at June 30,	2023	2022
Assets		
Current assets		
Cash	\$ 778,660	\$ 808,367
Public service body rebate receivable	23,951	17,551
Accounts receivable (note 4(a))	95,713	39,744
Prepaid expense	159,385	119,644
Due from related organization (note 4(b))	51,978	776,836
Promissory notes receivable from The Kensington Health Centre (note 4(f))	1,200,000	-
	2,309,687	1,762,142
Investments - at market value (note 3)	35,423,778	33,242,859
Mortgage loan receivable from The Kensington Health Centre (note 4(e))	3,500,000	3,500,000
Promissory notes receivable from The Kensington Health Centre (note 4(f))	1,600,000	-
Capital assets (note 5)	5,413,526	5,659,647
	\$ 48,246,991	\$ 44,164,648
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 4(a))	\$ 352,092	\$ 335,802
HST payable	80,704	81,414
Rent deposits	138,235	138,235
Due to related organizations (note 4(b))	107,297	120,078
	678,328	675,529
Net assets		
Externally restricted (note 2(e))	1,881,514	1,380,318
Internally restricted (note 2(f))	1,071,284	1,036,088
Unrestricted net assets	44,615,865	41,072,713
	47,568,663	43,489,119
	\$ 48,246,991	\$ 44,164,648

Commitments (note 8)

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

THE KENSINGTON HEALTH FOUNDATION

Statement of Revenue and Expense

Year ended June 30,	2023	2022
Revenue		
Donations and sponsorships		
- Designated (note 6(a))	\$ 1,178,585	\$ 522,735
- Non-designated	171,957	428,545
Legacy gifts		
- Designated (note 6(b))	1,992	1,342,762
- Non-designated	12,712	20,416
Investment income (note 4(e),(f))	1,154,004	729,281
Adjustment of investments to market values	1,942,950	(1,341,045)
Net rental income (note 4(d), 7)	2,089,396	1,947,979
Other income	2,951	1,550
	6,554,547	3,652,223
Expense		
Salaries, wages and benefits	992,206	916,070
Fundraising and events	212,863	269,944
Administrative (note 4(g))	220,393	235,316
Investment management fees	88,280	95,116
Professional fees	22,493	24,939
	1,536,235	1,541,385
Excess of revenue over expense before grants and donations	5,018,312	2,110,838
Deduct grants and donations paid or payable to:		
- The Kensington Health Centre (note 4(c)(i))	819,642	4,519,146
- The Second Mile Club of Toronto (note 4(c)(ii))	84,272	52,675
- The Kensington Eye Institute (note 4(c)(iii))	34,854	49,758
- The Kensington Research Institute (note 4(c)(iv))	-	200
Excess (deficiency) of revenue over expense for the year	\$ 4,079,544	\$ (2,510,941)

See accompanying notes to financial statements.

THE KENSINGTON HEALTH FOUNDATION

Statement of Changes in Net Assets

Year ended June 30,	2023				2022
	Externally restricted	Internally restricted	Unrestricted	Total	Total
Net assets, beginning of year	\$ 1,380,318	\$ 1,036,088	\$ 41,072,713	\$ 43,489,119	\$ 46,000,060
Excess (deficiency) of revenue over expenses for the year	501,196	35,196	3,543,152	4,079,544	(2,510,941)
Net assets, end of year	\$ 1,881,514	\$ 1,071,284	\$ 44,615,865	\$ 47,568,663	\$ 43,489,119

See accompanying notes to financial statements.

THE KENSINGTON HEALTH FOUNDATION

Statement of Cash Flows

Year ended June 30,	2023	2022
Operating activities		
Cash received from building rental (net)	\$ 2,344,409	\$ 2,333,936
Cash received from investment income	826,305	1,014,488
Cash received from donations	1,309,563	2,302,506
Cash received from other income	2,951	1,550
Cash paid for operating expenses	(1,570,497)	(1,537,857)
Cash paid for grants and donations	(915,328)	(4,537,497)
Net cash provided (used) by operating activities	1,997,403	(422,874)
Investing activities		
Sale of investments (net)	37,756	763,198
Purchase of capital assets (net of credits received from vendors)	(41,706)	50,517
Net cash provided (used) by investing activities	(3,950)	813,715
Financing activities		
Cash received from collection of promissory note	-	3,500,000
Cash advanced to related party	(2,023,160)	(754,652)
Cash used for repayment of promissory note	-	(3,500,000)
Net cash used by financing activities	(2,023,160)	(754,652)
Decrease in cash	(29,707)	(363,811)
Cash, beginning of year	808,367	1,172,178
Cash, end of year	\$ 778,660	\$ 808,367

See accompanying notes to financial statements.

THE KENSINGTON HEALTH FOUNDATION

Notes to Financial Statements

June 30, 2023

1 Organization

The Kensington Health Foundation ("the Foundation") was incorporated in the province of Ontario without share capital on March 31, 1978. The Foundation is a registered charity under the Income Tax Act (Canada) and accordingly is exempt from income taxes.

The Foundation is committed to supporting the mission, programs and services of The Kensington Health Centre ("KHC"), The Kensington Eye Institute ("KEI"), The Kensington Research Institute ("KRI"), The Second Mile Club of Toronto ("SMC"), and organizations that promote and improve community health.

The Foundation owns revenue-producing real estate located at 340 College Street, Toronto, Ontario and an investment portfolio.

2 Significant accounting policies

These financial statements do not include the assets, liabilities, and activities of KHC, KEI, KRI, or SMC which are related but independent registered charities. These entities are incorporated without share capital and are governed by independent Boards of Directors.

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Revenue recognition

(i) Contributions

The Foundation follows the deferral method of accounting for contributions.

(i) Donations

Donations are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is assured.

(ii) Legacy gifts

The Foundation may be the beneficiary under various wills and trust agreements. The total realizable amounts are not at present readily determinable. The Foundation recognizes such legacy gifts if the amount to be received can be reasonably estimated and collection is assured.

(ii) Investment income

Investment income is recognized on an accrual basis.

Investment income comprises interest from cash and investments, dividend income on pooled funds and realized gains and losses on the sale of investments.

Adjustment of investments to market values (net) comprises the unrealized gains and losses on investments held.

(iii) Rental revenue

Rental revenue is recognized over the term of the lease and when collection is reasonably assured.

Tenant's rental deposits consist of rent received in advance and security deposits and are deferred and recorded as income in the year to which they relate.

THE KENSINGTON HEALTH FOUNDATION

Notes to Financial Statements

June 30, 2023

2 Significant accounting policies (continued)

(b) Contributed goods and services

The value of goods and services is recorded as revenue and an expense in the financial statements when the fair value can be reasonably estimated and when the goods and services would otherwise be purchased if not donated.

Volunteers provide invaluable donated services to the Foundation. Since the fair value of volunteer time is not easily determinable, these contributed services are not recognized in the financial statements.

(c) Cash

Cash includes petty cash and cash deposits with financial institutions.

(d) Capital assets

The Foundation records capital assets at cost. The cost of a capital asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

When conditions indicate a capital asset no longer contributes to the Foundation's ability to provide services or that the value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount, its net carrying amount is written down to its fair value or replacement costs. As at June 30, 2023, no such impairment exists.

Capital assets are amortized over their estimated useful lives using the straight-line method as follows:

Building and building improvements	10 to 40 years
Tenant improvements	10 years
Furniture and equipment	5 years
Signage	5 years

(e) Externally restricted net assets

Externally restricted net assets consist of donations and legacy gifts received by the Foundation and designated by the donor for a related organization.

(f) Internally restricted net assets - Capital Reserve

Internally restricted net assets have been restricted by the Board of Directors for maintenance and capital needs of the revenue-producing property. Expenditures from the Capital Reserve must be approved by the Finance Audit Investment and Risk Committee.

(g) Financial instruments

(i) Measurement

The Foundation initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for cash and investments, which are measured at fair value. Changes in fair value are recognized in the statement of revenue and expense in the year incurred.

The fair values of the investments are determined by reference to quoted market prices.

THE KENSINGTON HEALTH FOUNDATION

Notes to Financial Statements

June 30, 2023

2 Significant accounting policies (continued)

(g) Financial instruments (continued)

(ii) Impairment

At the end of each reporting period, the Foundation assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that comes to the attention of the Foundation. When there is an indication of impairment, the Foundation determines whether a significant adverse change has occurred during the year in the expected timing or amount of future cash flows from the financial asset.

(iii) Transaction costs

Transaction costs are recognized in the statement of revenue and expense in the year incurred, except for financial instruments that will be subsequently measured at amortized cost. Transaction costs associated with the acquisition and disposal of fixed income investments are capitalized and are included in the acquisition costs or reduce proceeds on disposal. Any investment management fees are expensed as incurred.

(h) Management estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the current year. Significant estimates include the impairment of accounts receivable and useful lives of capital assets.

All estimates are reviewed periodically and adjustments are made to the statement of revenue and expense as appropriate in the year they become known.

3 Investments

Investments consist of guaranteed investment certificates, cash and cash equivalents and units in pooled funds.

The redeemable guaranteed investment certificates bear interest at rates ranging from 4.15% to 4.67% (2022 - 1.85% to 2.15%) and mature on dates ranging from November 22, 2023 to April 1, 2024 (2022 - May 24, 2023 to June 15, 2023).

The non-redeemable guaranteed investment certificates bear interest at rates ranging from 3.03% to 5.12% (2022 - 0.95% to 3.03%) and mature on dates ranging from July 19, 2023 to December 22, 2027 (2022 - July 5, 2022 to March 28, 2024).

The underlying securities of the pooled funds consist of Canadian equities and international equities.

THE KENSINGTON HEALTH FOUNDATION

Notes to Financial Statements

June 30, 2023

3 Investments (continued)

The composition of the Foundation's investments by type are as follows:

As at June 30,	2023	2022
Fixed income:		
Guaranteed investment certificates - redeemable	\$ 3,748,051	\$ 2,814,358
Guaranteed investment certificates - non-redeemable	10,388,380	10,413,351
Short term private debt fund	1,122,415	1,030,582
Pooled funds:		
Canadian equities	11,276,614	10,540,357
International equities	8,417,402	6,865,844
Cash and cash equivalents	470,916	1,578,367
Total investments	\$ 35,423,778	\$ 33,242,859

4 Related party transactions and balances

(a) Accounts receivable and payable

Included in accounts receivable is \$34,734 (2022 - accounts payable is \$45,135) in rent and common area maintenance fees due from / to related parties.

These transactions are in the normal course of operations and has been recorded at the exchange amount, which is the amount of consideration agreed to by both parties.

(b) Due from / to related organization

The balance due from related organization is comprised of:

As at June 30,	2023	2022
Due from The Kensington Health Centre	\$ 51,978	\$ 776,836

The balance due to related organizations is comprised of:

As at June 30,	2023	2022
Due to The Kensington Eye Institute	\$ 11,619	\$ 18,930
Due to The Kensington Health Centre	94,719	101,094
Due to The Second Mile Club of Toronto	959	54
	\$ 107,297	\$ 120,078

Amounts due to related organizations are non-interest bearing with no fixed terms of repayment.

THE KENSINGTON HEALTH FOUNDATION

Notes to Financial Statements

June 30, 2023

4 Related party transactions (continued)

(c) Grants and donations

(i) The Kensington Health Centre

Grants and donations paid or payable to KHC consist of the following:

Year ended June 30,	2023	2022
Donations and grants designated for The Kensington Health Centre	\$ 117,789	\$ 1,117,309
Operating grants for The Kensington Hospice	197,860	583,528
Donations designated for The Kensington Hospice Expansion	78,615	2,490,506
Donations and grants designated for The Kensington Hospice	425,378	327,803
	\$ 819,642	\$ 4,519,146

(ii) The Second Mile Club of Toronto

Grants and donations paid or payable to SMC consist of the following:

Year ended June 30,	2023	2022
Designated donations for The Second Mile Club of Toronto	\$ 84,272	\$ 52,675

(iii) The Kensington Eye Institute

Grants and donations paid or payable to KEI consist of the following:

Year ended June 30,	2023	2022
Designated donations for The Kensington Eye Institute	\$ 17,576	\$ 6,923
Designated donations for The Eye Bank of Canada (Ontario Division)	12,722	17,497
Designated donations for The Kensington Vision and Research Centre (KEI)	3,890	20,524
Designated donations for The Kensington Cancer Screening Centre	666	4,814
	\$ 34,854	\$ 49,758

(iv) The Kensington Research Institute

Grants and donations paid or payable to KRI consist of the following:

Year ended June 30,	2023	2022
Donations designated for The Kensington Research Institute	\$ -	\$ 200

THE KENSINGTON HEALTH FOUNDATION

Notes to Financial Statements

June 30, 2023

4 Related party transactions (continued)

(d) Rental revenue

Included in net rental income is rent received from the following related entities:

Year ended June 30,	2023	2022
The Kensington Eye Institute	\$ 788,180	\$ 749,347

Rental income is measured at the amount of consideration agreed to by the related parties.

(e) Mortgage loan receivable from The Kensington Health Centre

The Foundation has a \$3,500,000 (2022 - \$3,500,000) mortgage loan receivable from KHC, which is secured by a third ranking mortgage on the long-term care facilities. The mortgage loan receivable matures September 1, 2028 and requires monthly payments of interest-only until October 31, 2025, and beginning November 1, 2025 monthly payments of \$100,000 plus interest at an annual rate of interest of 2.00%. Included in investment income is interest of \$70,000 (2022 - \$121,042) received from KHC.

(f) Promissory notes receivable from The Kensington Health Centre

The Foundation advanced \$2,800,000 (2022 - \$754,652 included in Due from related organization) to The Kensington Health Centre, which is secured by a term promissory note dated June 27, 2023. The term promissory note requires minimum payments of interest-only at a rate of 3.00% per annum to June 30, 2023. Starting on July 1, 2023 principal installments of a minimum of \$100,000 plus interest per month for a maximum of 28 months ending October 1, 2025.

In the prior year, a promissory note receivable from The Kensington Health Centre was collected March 23, 2022. The term promissory note required minimum payments of interest-only at a rate of 2.00% per annum.

Included in investment income is interest of \$51,978 (2022 - \$46,667) earned on the term promissory notes.

(g) Promissory note payable to The Kensington Eye Institute

The promissory note payable to The Kensington Health Centre in the amount of \$3,500,000 was extinguished March 23, 2022. The term promissory note required minimum payments of interest-only at a rate of 2.00% per annum and an additional return of 1.00% by way of rent reduction.

Included in administrative expense is interest of \$nil (2022 - \$71,625) on the term promissory note.

THE KENSINGTON HEALTH FOUNDATION

Notes to Financial Statements

June 30, 2023

5 Capital assets

As at June 30, 2023

	Cost	Accumulated amortization	Net book value
Land	\$ 1,260,140	\$ -	\$ 1,260,140
Building and building improvements	7,732,758	3,579,372	4,153,386
Tenant improvements	485,529	485,529	-
Furniture and equipment	60,935	60,935	-
Signage	58,361	58,361	-
	\$ 9,597,723	\$ 4,184,197	\$ 5,413,526

As at June 30, 2022

	Cost	Accumulated amortization	Net book value
Land	\$ 1,260,140	\$ -	\$ 1,260,140
Building and building improvements	7,691,052	3,291,563	4,399,489
Tenant improvements	485,529	485,529	-
Furniture and equipment	60,935	60,917	18
Signage	58,361	58,361	-
	\$ 9,556,017	\$ 3,896,370	\$ 5,659,647

THE KENSINGTON HEALTH FOUNDATION

Notes to Financial Statements

June 30, 2023

6 Designated donations and legacy gifts

(a) Donations

The Foundation has received donations designated by the donor for related organizations, summarized as follows:

Year ended June 30,	2023	2022
The Kensington Health Centre - Hospice	\$ 369,476	\$ 222,104
- Gardens	30,717	37,358
- Hospice expansion	680,614	187,961
The Second Mile Club of Toronto	53,809	52,675
The Kensington Eye Institute - KEI	11,977	6,923
- KVRG	3,890	4,170
- The Eye Bank of Canada (Ontario Division)	27,436	6,530
- The Kensington Cancer Screening Centre	666	4,814
The Kensington Research Institute	-	200
	\$ 1,178,585	\$ 522,735

(b) Legacy gifts

The Foundation has received legacy gifts designated by the donor for a specific purpose or related organization, summarized as follows:

Year ended June 30,	2023	2022
The Kensington Health Centre - Hospice expansion	\$ -	\$ 1,309,153
- Hospice	1,992	22,642
The Kensington Eye Institute - The Eye Bank of Canada (Ontario Division)	-	10,967
	\$ 1,992	\$ 1,342,762

7 Net rental income

Year ended June 30,	2023	2022
Net rental income comprises:		
Rental income	\$ 2,358,697	\$ 2,273,062
Amortization	(164,698)	(168,042)
Operating expenses	(104,603)	(157,041)
Net rental income	\$ 2,089,396	\$ 1,947,979

THE KENSINGTON HEALTH FOUNDATION

Notes to Financial Statements

June 30, 2023

8 Commitments

(a) The Kensington Health Centre mortgage loan and promissory note receivable

The Foundation has committed to provide a monthly grant equal to the interest on the mortgage loan receivable (described in note 4(e)). The grant will expire September 1, 2028.

Annual grant payments over the term of the agreement are summarized as follows:

2024	\$	70,000
2025		70,000
2026		64,000
2027		41,000
2028		17,000
2029		500

The Foundation has committed to provide a monthly grant equal to the principal and interest on the term promissory note receivable (described in note 4(f)). The grant will expire October 1, 2025.

Annual grant payments over the term of the agreement are summarized as follows:

2024	\$	1,264,500
2025		1,228,500
2026		401,500

(b) Grant for The Kensington Health Centre hospice operating deficit

The Foundation has committed to provide an annual grant to KHC to fund the annual operating deficit of the current hospice operations up to a maximum per annum of \$1,350,000 less donations received by KHC for hospice operations in respect of such year, until June 2027.

(c) Loan to Kensington Eye Institute

The Foundation has committed to advance the Kensington Eye Institute \$925,000, which is secured by a term promissory note dated July 14, 2023 to fund the purchase of operating room equipment. The term promissory note requires minimum payments of interest-only at a rate of 5.00% per annum starting August 1, 2023. Starting on September 1, 2024 blended monthly installments of principal and interest of \$24,053 for a maximum of 42 months ending February 1, 2028 are required.

9 Financial instruments

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Foundation's risk exposure and concentrations. The financial instruments and the nature of the risks to which they may be subject are as follows:

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 is exposed to credit risk through its cash, accounts receivable, investments, promissory note receivable from The Kensington Health Centre and mortgage loan receivable from The Kensington Health Centre.

While the Foundation's bank accounts are held at multiple financial institutions, funds on deposit exceed the maximum amount insured and hence there is a concentration of credit risk.

Credit risk related to investments is minimized by ensuring that these assets are invested with credit-worthy parties.

THE KENSINGTON HEALTH FOUNDATION

Notes to Financial Statements

June 30, 2023

9 Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Foundation will not be able to meet a demand for cash or fund its obligations as they come due. The Foundation meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations and anticipating investing and financing activities.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

Currency risk

Currency risk reflects the risk that the Foundation's earnings will decline due to the fluctuations in foreign exchange rates. The Foundation is exposed to currency risk through its investment in units of pooled funds to the extent that the underlying assets are denominated in a foreign currency (note 3).

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 Foundation is subject to interest rate risk to the extent that its mortgage loan receivable from The Kensington Health Centre may be subject to interest rate changes on maturity and from its cash and investments, which are primarily short term in nature and held to maturity.

The Foundation's cash includes amounts on deposit with financial institutions that earn interest at market rates. The Foundation manages its exposure to the interest rate risk of its cash by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the Foundation's results of operations.

The primary objective of the Foundation with respect to its investments is to ensure the security of principal amounts invested, provide for a high degree of liquidity, and achieve a satisfactory investment return.

Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments in the market. The Foundation is exposed to other price risk through its investment in units of pooled funds.

Changes in risk

There have been no significant changes in the Foundation's risk exposures from the prior year.