

Financial Statements of

THE KENSINGTON HEALTH FOUNDATION

June 30, 2022

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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, 2022 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, 2022, 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 3, 2022



Licensed Public Accountants

THE KENSINGTON HEALTH FOUNDATION

Balance Sheet

| As at June 30, | 2022 | 2021 |
|--|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash | \$ 808,367 | \$ 1,172,178 |
| Public service body rebate receivable | 17,551 | 18,828 |
| Accounts receivable | 39,744 | 67,315 |
| Prepaid expense | 119,644 | 184,564 |
| Due from related organization (note 4(b)) | 776,836 | 16,350 |
| Mortgage loan receivable from The Kensington Health Centre (note 4(e)) | - | 3,500,000 |
| | 1,762,142 | 4,959,235 |
| Investments - at market value (note 3) | 33,242,859 | 35,638,143 |
| Mortgage loan receivable from The Kensington Health Centre (note 4(e)) | 3,500,000 | - |
| Promissory note receivable from The Kensington Health Centre (note 4(f)) | - | 3,500,000 |
| Capital assets (note 5) | 5,659,647 | 6,010,112 |
| | \$ 44,164,648 | \$ 50,107,490 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (note 4(a)) | \$ 335,802 | \$ 284,019 |
| HST payable | 81,414 | 86,830 |
| Rent deposits | 138,235 | 126,028 |
| Due to related organizations (note 4(b)) | 120,078 | 110,553 |
| Promissory note payable to The Kensington Eye Institute (note 4(g)) | - | 200,000 |
| | 675,529 | 807,430 |
| Promissory note payable to The Kensington Eye Institute (note 4(g)) | - | 3,300,000 |
| | 675,529 | 4,107,430 |
| Net assets | | |
| Externally restricted (note 2(e)) | 1,380,318 | 2,382,214 |
| Internally restricted (note 2(f)) | 1,036,088 | 1,029,498 |
| Unrestricted net assets | 41,072,713 | 42,588,348 |
| | 43,489,119 | 46,000,060 |
| | \$ 44,164,648 | \$ 50,107,490 |

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, | 2022 | 2021 |
|--|-----------------------|---------------------|
| Revenue | | |
| Donations and sponsorships | | |
| - Designated (note 6(a)) | \$ 522,735 | \$ 366,924 |
| - Non-designated | 428,545 | 484,773 |
| Legacy gifts | | |
| - Designated (note 6(b)) | 1,342,762 | 141,542 |
| - Non-designated | 20,416 | - |
| Investment income (note 4(e),(f)) | 729,281 | 788,140 |
| Other income | 1,550 | 73,609 |
| Adjustment of investments to market values | (1,341,045) | 2,889,797 |
| Net rental income (note 4(d), 7) | 1,947,979 | 1,842,003 |
| | 3,652,223 | 6,586,788 |
| Expense | | |
| Salaries, wages and benefits | 916,070 | 842,932 |
| Fundraising and events | 269,944 | 274,057 |
| Administrative (note 4(g)) | 235,316 | 313,210 |
| Investment management fees | 95,116 | 72,119 |
| Professional fees | 24,939 | 43,982 |
| | 1,541,385 | 1,546,300 |
| Excess of revenue over expense before grants and donations | 2,110,838 | 5,040,488 |
| Deduct grants and donations paid or payable to: | | |
| - The Kensington Health Centre (note 4(c)(i)) | 4,519,146 | 2,959,556 |
| - The Kensington Eye Institute (note 4(c)(ii)) | 49,758 | 30,011 |
| - The Kensington Research Institute (note 4(c)(iii)) | 200 | - |
| - The Second Mile Club of Toronto (note 4(c)(iv)) | 52,675 | - |
| Excess (deficiency) of revenue over expense for the year | \$ (2,510,941) | \$ 2,050,921 |

See accompanying notes to financial statements.

THE KENSINGTON HEALTH FOUNDATION

Statement of Changes in Net Assets

| Year ended June 30, | 2022 | | | | 2021 |
|--|--------------------------|--------------------------|---------------|---------------|---------------|
| | Externally restricted | Internally restricted | Unrestricted | Total | Total |
| Net assets, beginning of year | \$ 2,382,214 | \$ 1,029,498 | \$ 42,588,348 | \$ 46,000,060 | \$ 43,949,139 |
| Excess (deficiency) of revenue over expenses for the year | (1,001,896) | 6,590 | (1,515,635) | (2,510,941) | 2,050,921 |
| Net assets, end of year | \$ 1,380,318 | \$ 1,036,088 | \$ 41,072,713 | \$ 43,489,119 | \$ 46,000,060 |

See accompanying notes to financial statements.

THE KENSINGTON HEALTH FOUNDATION

Statement of Cash Flows

| Year ended June 30, | 2022 | 2021 |
|---|--------------|--------------|
| Operating activities | | |
| Cash received from building rental (net) | \$ 2,333,936 | \$ 2,447,616 |
| Cash received from investment income | 1,014,488 | 911,315 |
| Cash received from donations | 2,302,506 | 906,648 |
| Cash received from other income | 1,550 | 57,259 |
| Cash paid for operating expenses | (1,537,857) | (1,599,912) |
| Cash paid for grants and donations | (4,537,497) | (2,977,851) |
| Net cash used by operating activities | (422,874) | (254,925) |
| Investing activities | | |
| Sale of investments (net) | 763,198 | 461,446 |
| Purchase of capital assets (net of credits received from vendors) | 50,517 | (545,875) |
| Net cash provided (used) by investing activities | 813,715 | (84,429) |
| Financing activities | | |
| Cash received from collection of promissory note | 3,500,000 | - |
| Cash advanced to related party | (754,652) | - |
| Cash used for repayment of promissory note | (3,500,000) | - |
| Net cash used by financing activities | (754,652) | - |
| Decrease in cash | (363,811) | (339,354) |
| Cash, beginning of year | 1,172,178 | 1,511,532 |
| Cash, end of year | \$ 808,367 | \$ 1,172,178 |

See accompanying notes to financial statements.

THE KENSINGTON HEALTH FOUNDATION

Notes to Financial Statements

June 30, 2022

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, 2022

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, 2022, 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, 2022

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.

THE KENSINGTON HEALTH FOUNDATION

Notes to Financial Statements

June 30, 2022

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 1.85% to 2.15% (2021 - 0.56% to 0.81%) and mature on dates ranging from May 24, 2023 to June 15, 2023 (2021 - July 6, 2021 to November 5, 2021).

The non-redeemable guaranteed investment certificates bear interest at rates ranging from 0.95% to 3.03% (2021 - 0.80% to 3.00%) and mature on dates ranging from July 5, 2022 to March 28, 2024 (2021 - July 5, 2021 to July 5, 2022).

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

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

| As at June 30, | 2022 | 2021 |
|---|----------------------|----------------------|
| Fixed income: | | |
| Guaranteed investment certificates - redeemable | \$ 2,814,358 | \$ 3,773,750 |
| Guaranteed investment certificates - non-redeemable | 10,413,351 | 8,306,757 |
| Short term private debt fund | 1,030,582 | - |
| Pooled funds: | | |
| Canadian equities | 10,540,357 | 10,001,854 |
| International equities | 6,865,844 | 8,441,375 |
| Cash and cash equivalents | 1,578,367 | 5,114,407 |
| Total investments | \$ 33,242,859 | \$ 35,638,143 |

4 Related party transactions and balances

(a) Accounts payable

Included in accounts payable is \$45,135 (2021 - \$nil) in rent and common area maintenance fees payable 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, | 2022 | 2021 |
|---------------------------------------|------------|-----------|
| Due from The Kensington Health Centre | \$ 776,836 | \$ 16,350 |

The balance due to related organizations is comprised of:

| As at June 30, | 2022 | 2021 |
|--|-------------------|-------------------|
| Due to The Kensington Eye Institute | \$ 18,930 | \$ 88,299 |
| Due to The Kensington Health Centre | 101,094 | 21,754 |
| Due to The Second Mile Club of Toronto | 54 | 500 |
| | \$ 120,078 | \$ 110,553 |

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, 2022

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, | 2022 | 2021 |
|--|---------------------|---------------------|
| Donations and grants designated for The Kensington Health Centre | \$ 1,117,309 | \$ 1,500,810 |
| Operating grants for The Kensington Hospice | 583,528 | 759,528 |
| Donations designated for The Kensington Hospice Expansion | 2,490,506 | 362,208 |
| Donations and grants designated for The Kensington Hospice | 327,803 | 331,430 |
| Donations and grants designated for Second Mile Club | - | 5,580 |
| | \$ 4,519,146 | \$ 2,959,556 |

(ii) The Kensington Eye Institute

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

| Year ended June 30, | 2022 | 2021 |
|--|------------------|------------------|
| Designated donations for The Kensington Eye Institute | \$ 6,923 | \$ 15,231 |
| Designated donations for The Kensington Vision and Research Centre (KEI) | 20,524 | 12,255 |
| Designated donations for The Eye Bank of Canada (Ontario Division) | 17,497 | 1,727 |
| Designated donations for The Kensington Cancer Screening Centre | 4,814 | 798 |
| | \$ 49,758 | \$ 30,011 |

(iii) The Kensington Research Institute

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

| Year ended June 30, | 2022 | 2021 |
|--|--------|------|
| Donations designated for The Kensington Research Institute | \$ 200 | \$ - |

(iv) The Second Mile Club of Toronto

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

| Year ended June 30, | 2022 | 2021 |
|--|-----------|------|
| Designated donations for The Second Mile Club of Toronto | \$ 52,675 | \$ - |

THE KENSINGTON HEALTH FOUNDATION

Notes to Financial Statements

June 30, 2022

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, | 2022 | 2021 |
|------------------------------|------------|------------|
| The Kensington Eye Institute | \$ 749,347 | \$ 712,821 |

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 (2021 - \$3,500,000) mortgage loan receivable renewed in fiscal 2022 from KHC, which is secured by a third ranking mortgage on the long-term care facilities. The mortgage loan receivable matures May 1, 2026 and requires monthly payments of interest-only until June 30, 2023, and beginning July 1, 2023 monthly payments of \$100,000 plus interest at an annual rate of interest of 2.00%. Included in investment income is interest of \$121,042 (2021 - \$157,000) received from KHC.

(f) Promissory note receivable from The Kensington Health Centre

The 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 \$46,667 (2021 - \$70,000) earned on the term promissory note.

(g) Promissory note payable to The Kensington Eye Institute

The 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 and an additional return of 1.00% by way of rent reduction.

Included in administrative expense is interest of \$71,625 (2021 - \$105,000) on the term promissory note.

THE KENSINGTON HEALTH FOUNDATION

Notes to Financial Statements

June 30, 2022

5 Capital assets

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 | 3,291,545 | 4,399,507 |
| Tenant improvements | 485,529 | 485,529 | - |
| Furniture and equipment | 60,935 | 60,935 | - |
| Signage | 58,361 | 58,361 | - |
| | \$ 9,556,017 | \$ 3,896,370 | \$ 5,659,647 |

As at June 30, 2021

| | Cost | Accumulated amortization | Net book value |
|------------------------------------|---------------------|-----------------------------|---------------------|
| Land | \$ 1,260,140 | \$ - | \$ 1,260,140 |
| Building and building improvements | 7,741,586 | 3,002,477 | 4,739,109 |
| Tenant improvements | 485,529 | 485,529 | - |
| Furniture and equipment | 60,917 | 50,054 | 10,863 |
| Signage | 58,361 | 58,361 | - |
| | \$ 9,606,533 | \$ 3,596,421 | \$ 6,010,112 |

THE KENSINGTON HEALTH FOUNDATION

Notes to Financial Statements

June 30, 2022

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, | 2022 | 2021 |
|---|-------------------|-------------------|
| The Kensington Health Centre - Hospice | \$ 222,104 | \$ 213,555 |
| - Gardens | 37,358 | 73,310 |
| - Second Mile Club of Toronto | - | 5,580 |
| - Hospice expansion | 187,961 | 30,894 |
| The Kensington Eye Institute - KEI | 6,923 | 35,651 |
| - KVRC | 4,170 | 5,408 |
| - The Eye Bank of Canada (Ontario Division) | 6,530 | 1,727 |
| - The Kensington Cancer Screening Centre | 4,814 | 799 |
| The Kensington Research Institute | 200 | - |
| The Second Mile Club of Toronto | 52,675 | - |
| | \$ 522,735 | \$ 366,924 |

(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, | 2022 | 2021 |
|--|---------------------|-------------------|
| The Kensington Health Centre - Hospice expansion | \$ 1,309,153 | \$ 99,042 |
| - Hospice | 22,642 | - |
| The Kensington Eye Institute - The Eye Bank of Canada (Ontario Division) | 10,967 | 42,500 |
| | \$ 1,342,762 | \$ 141,542 |

7 Net rental income

| Year ended June 30, | 2022 | 2021 |
|------------------------------|---------------------|---------------------|
| Net rental income comprises: | | |
| Rental income | \$ 2,273,062 | \$ 2,144,787 |
| Amortization | (168,042) | (215,460) |
| Operating expenses | (157,041) | (87,324) |
| Net rental income | \$ 1,947,979 | \$ 1,842,003 |

THE KENSINGTON HEALTH FOUNDATION

Notes to Financial Statements

June 30, 2022

8 Commitments

(a) The Kensington Health Centre second mortgage loan

(i) Grant for The Kensington Health Centre second mortgage loan

The Foundation has committed to provide a grant of \$48,627 per month to fund the payment of principal and interest payable by KHC under the second mortgage loan on KHC's lands and buildings ending September 19, 2022. Total payments remaining over the term of the agreement are \$145,881.

(ii) Guarantee for The Kensington Health Centre

The Foundation has guaranteed a loan from Infrastructure Ontario to KHC up to a maximum of \$5,000,000. The loan has a term to maturity of ten years commencing September 17, 2012 requiring 120 equal installments of principal and interest totaling \$48,627 per month. The interest on the loan is fixed at a rate of 3.15% per annum.

The balance of the loan payable as at June 30, 2022 is \$145,120.

(b) The Kensington Health Centre third mortgage loan

The Foundation has committed to provide a monthly grant equal to the interest on the third mortgage loan receivable (described in note 4(e)). The grant will expire May 1, 2026.

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

| | | |
|------|----|--------|
| 2023 | \$ | 70,000 |
| 2024 | | 57,000 |
| 2025 | | 33,000 |
| 2026 | | 9,167 |

(c) 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, and any expanded hospice operations which the Foundation board of directors approves. The maximum operating grant up per annum is \$1,350,000 less donations received by KHC for hospice operations in respect of such year, until June 2027.

THE KENSINGTON HEALTH FOUNDATION

Notes to Financial Statements

June 30, 2022

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 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.

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.

THE KENSINGTON HEALTH FOUNDATION

Notes to Financial Statements

June 30, 2022

9 Financial instruments (continued)

Market risk (continued)

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.