

Children's Health Foundation

Financial statements

March 31, 2024



Independent auditor's report

To the Board of Directors of
Children's Health Foundation

Opinion

We have audited the financial statements of **Children's Health Foundation** [the "Foundation"], which comprise the statement of financial position as at March 31, 2024, 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, 2024, 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

London, Canada
May 29, 2024

Chartered Professional Accountants
Licensed Public Accountants



Children's Health Foundation

Statement of financial position

As at March 31

| | 2024 | 2023 |
|--|-------------------|------------|
| | \$ | \$ |
| Assets | | |
| Current | | |
| Cash | 165,446 | 1,649,806 |
| Short-term investments <i>[note 4]</i> | 12,385,952 | 7,428,742 |
| Bequests receivable | 41,090 | 78,411 |
| HST rebate receivable | 85,041 | 93,492 |
| Prepaid expenses | 1,204 | 1,204 |
| Total current assets | 12,678,733 | 9,251,655 |
| Other assets <i>[note 3]</i> | 110,324 | 99,645 |
| Investments <i>[note 4]</i> | 24,373,913 | 22,029,973 |
| Endowment investment <i>[note 4]</i> | 1,887,197 | 1,887,197 |
| Capital assets, net <i>[note 5]</i> | 1,640,592 | 1,704,245 |
| Investment in joint venture <i>[note 6]</i> | 839,386 | 839,386 |
| | 41,530,145 | 35,812,101 |
| Liabilities and fund balances | | |
| Current | | |
| Accounts payable and accrued liabilities <i>[note 11]</i> | 2,476,428 | 2,528,358 |
| Current portion of mortgage on 345 Westminster Ave <i>[note 8]</i> | 101,578 | 98,598 |
| Total current liabilities | 2,578,006 | 2,626,956 |
| Mortgage on 345 Westminster Ave <i>[note 8]</i> | 366,038 | 467,616 |
| Total liabilities | 2,944,044 | 3,094,572 |
| Commitments <i>[note 7]</i> | | |
| Fund balances | | |
| General | 10,719,247 | 7,120,820 |
| Externally Restricted | 2,098,410 | 2,179,539 |
| Internally Restricted | 23,881,247 | 21,529,973 |
| Endowment | 1,887,197 | 1,887,197 |
| Total fund balances | 38,586,101 | 32,717,529 |
| | 41,530,145 | 35,812,101 |

See accompanying notes

Approved by the Board of Directors:

Director

Director

Children's Health Foundation

Statement of operations and changes in fund balances

Year ended March 31

| | General Fund \$ | Externally Restricted Fund \$ | Internally Restricted Fund \$ | Endowment Fund \$ | 2024 \$ | 2023 \$ |
|---|-----------------------|--|--|-------------------------|-------------------|-------------------|
| Revenues | | | | | | |
| Fundraising | 16,297,269 | 101,541 | — | — | 16,398,810 | 10,795,118 |
| Legacy gifts | 975,067 | — | — | — | 975,067 | 2,897,296 |
| Rental income | 53,619 | — | — | — | 53,619 | 53,001 |
| Investment income | 2,917,459 | — | — | 55,758 | 2,973,217 | 405,304 |
| | 20,243,414 | 101,541 | — | 55,758 | 20,400,713 | 14,150,719 |
| Direct expenses | | | | | | |
| Direct fundraising | 2,973,340 | — | — | — | 2,973,340 | 2,938,804 |
| Revenue, net of direct expenditures | 17,270,074 | 101,541 | — | 55,758 | 17,427,373 | 11,211,915 |
| Indirect expenses | | | | | | |
| Community education and development | 746,194 | — | — | — | 746,194 | 710,590 |
| Administrative | 547,053 | — | — | — | 547,053 | 484,450 |
| Investment fees | 83,934 | — | — | — | 83,934 | 81,319 |
| Amortization | 67,265 | — | — | — | 67,265 | 70,090 |
| | 1,444,446 | — | — | — | 1,444,446 | 1,346,449 |
| Funds available for grants | 15,825,628 | 101,541 | — | 55,758 | 15,982,927 | 9,865,466 |
| Distribution for annual grants | | | | | | |
| Children's Hospital at London Health Sciences Centre ["LHSC"] | 5,773,496 | 182,670 | — | 55,758 | 6,011,924 | 4,071,131 |
| Children's Hospital Patient care equipment at LHSC | 1,102,931 | — | — | — | 1,102,931 | 1,412,526 |
| Children's Health Research Institute | 1,780,033 | — | — | — | 1,780,033 | 1,763,448 |
| Thames Valley Children's Centre | 1,219,467 | — | — | — | 1,219,467 | 1,198,030 |
| | 9,875,927 | 182,670 | — | 55,758 | 10,114,355 | 8,445,135 |
| Excess of revenues over expenses for the year | 5,949,701 | (81,129) | — | — | 5,868,572 | 1,420,331 |
| Fund balance, beginning of year | 7,120,820 | 2,179,539 | 21,529,973 | 1,887,197 | 32,717,529 | 31,297,198 |
| Interfund transfer <i>[note 13]</i> | (2,351,274) | — | 2,351,274 | — | — | — |
| Fund balance, end of year | 10,719,247 | 2,098,410 | 23,881,247 | 1,887,197 | 38,586,101 | 32,717,529 |

See accompanying notes

Children's Health Foundation

Statement of cash flows

Year ended March 31

| | 2024 | 2023 |
|---|--------------------|-----------|
| | \$ | \$ |
| Operating activities | | |
| Excess of revenues over expenses for the year | 5,868,572 | 1,420,331 |
| Add (deduct) items not affecting cash | | |
| Investment income | (1,833,940) | (405,304) |
| Amortization | 67,265 | 70,090 |
| Net change in non-cash working capital balances related to operations | (4,963,368) | (654,053) |
| Cash provided by (used in) operating activities | (861,471) | 431,064 |
| Investing activities | | |
| Net (purchase) sale of investments | (510,000) | 235,356 |
| Proceeds from sale of other assets | (10,679) | 19,267 |
| Purchase of capital assets | (3,612) | (96,254) |
| Cash provided by (used in) investing activities | (524,291) | 158,369 |
| Financing activities | | |
| Repayment of mortgage | (98,598) | (95,705) |
| Cash used in financing activities | (98,598) | (95,705) |
| Net increase (decrease) in cash during the year | (1,484,360) | 493,728 |
| Cash, beginning of year | 1,649,806 | 1,156,078 |
| Cash, end of year | 165,446 | 1,649,806 |

See accompanying notes

Children's Health Foundation

Notes to financial statements

March 31, 2024

1. Nature of operations

Children's Health Foundation [the "Foundation"] is a registered charity. It was incorporated as a non-profit organization without share capital under the *Corporations Act* (Ontario) and is exempt from income taxes under Section 149(1)(f) of the *Income Tax Act* (Canada). The Foundation's mission is "Inspiring caring people to donate to support excellence in children's health care and research at Children's Hospital, Thames Valley Children's Centre and Children's Health Research Institute".

2. Significant accounting policies

The financial statements have been prepared with Canadian accounting standards for not-for-profit organizations ["ASNPO"] and include the significant accounting policies summarized below.

Fund accounting

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by donors or in accordance with directives issued by the Board of Directors. Transfers between the funds are made when it is considered appropriate and authorized by the Board of Directors.

For financial reporting purposes, the accounts have been classified into the following funds:

General Fund

The General Fund accounts for the Foundation's general fundraising and administrative activities. The General Fund reports unrestricted resources available for immediate purposes.

Restricted Funds

The Externally Restricted Fund reports revenues that have a specific purpose as specified by the donor. The specific purpose must be in relation to supporting a specific initiative within Children's Hospital at London Health Sciences Centre ["LHSC"], a scientific initiative at Children's Health Research Institute or a specific initiative at Thames Valley Children's Centre. This consists of externally restricted funds held in short-term investments. It also reports the grants expended for these specific purposes.

The Internally Restricted Fund reports amounts that have a specific purpose as specified by the Board of Directors. It also includes internal resources transferred by the Board of Directors to the fund with the intention of maintaining the real value of the principal while also meeting annual spending requirements. Amounts transferred to and from the Internally Restricted Fund may only be accessed by specific resolution of the Board of Directors.

Endowment Fund

The Endowment Fund reports resources that are required by an external donor to be maintained by the Foundation on a permanent basis.

Children's Health Foundation

Notes to financial statements

March 31, 2024

Revenue recognition

The restricted fund method is used to account for contributions. Endowment contributions are recognized as revenue of the Endowment Fund in the year in which they are received. Restricted contributions for which a corresponding Restricted Fund is present are recognized as revenue of that fund in the year in which they are received. Restricted contributions for which no corresponding restricted fund is present are recognized in the General Fund in accordance with the deferral method. Under the deferral method, the contribution for which the related restrictions remain unfulfilled are accumulated as deferred contributions. Unrestricted contributions are recognized as revenue in the General Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from interest, dividend income and reinvested distributions is recorded when received. Realized gains and losses are recorded as earned. Unrealized gains and losses on financial assets reflect differences in market value at the evaluation date and are included in investment income.

Financial instruments

Measurement of financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value.

The Foundation subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in revenue over expenses.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down and any subsequent reversal are recognized in the statement of operations and changes in fund balances.

Transaction costs

The Foundation recognizes its transaction costs in the statement of operations and changes in fund balances in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Cash

Cash as disclosed on the statement of financial position consists of cash on hand, cash with banks and Canadian dollar deposits.

Children's Health Foundation

Notes to financial statements

March 31, 2024

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the following estimated useful lives:

| | |
|------------------------|----------|
| Office equipment | 5 years |
| Computer equipment | 4 years |
| Furniture and fixtures | 10 years |
| Building | 25 years |

Contributed materials and services

Volunteers contribute many hours per year to assist the Foundation in carrying out its activities. Because of the difficulty in determining fair value, contributed services are not recognized in the financial statements. Contributed materials are also not recognized in the financial statements, unless the fair value can be reasonably determined.

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Areas of management estimates include amortization of capital assets.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing rates of exchange as at the statement of financial position date. Revenue and expenses are translated at the exchange rates prevailing on the transaction dates. Exchange gains and losses are included in excess of revenue over expenses.

Joint venture

The Foundation has an interest in lottery fundraisers where there is joint control of lottery operations by the participating foundations. The Foundation follows the equity method of accounting for this joint venture. The investment in the lottery joint venture is initially recorded at cost, and the carrying value is adjusted thereafter to include the Foundation's share of income. Distributions of income from the joint venture reduce the carrying value of the investment.

Allocation of expenses

The costs of each function include the costs of personnel and other expenses that are directly related to the function. General support and other similar costs are not allocated and are included in administration expenses on the statement of operations and changes in fund balances.

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Notes to financial statements

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Employee future benefits

Defined contribution plan accounting is applied to the multi-employer defined benefit plan, whereby contributions are expensed on an accrual basis, as the Foundation has insufficient information to apply defined benefit accounting.

Life insurance policies

The Foundation recognizes the life insurance policies under which it has control and is a beneficiary at their cash surrender values.

3. Other assets

Other assets consist of the following:

| | 2024 | 2023 |
|---|----------------|---------------|
| | \$ | \$ |
| Annuity | 16,771 | 32,771 |
| Cash surrender value of life insurance policies | 93,553 | 66,874 |
| | <u>110,324</u> | <u>99,645</u> |

Annuity

The annuity consists of a \$400,000 donation made to the Foundation in 2000. The annuity receipts of \$16,282, which consist of both a pay down of the annuity and investment income, are semi-annual for 25 years ending February 2025. Each payment reflects a pay down of the annuity by \$8,000 and income of \$8,282. There are no restrictions on how these funds can be spent.

Cash surrender value of life insurance policies

The Foundation owns various life insurance policies that contain a cash surrender option. Donors pay the premiums for these policies and the cash surrender value is available to the Foundation at any time.

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Notes to financial statements

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4. Investments

Investments consist of the following:

| | 2024 | | 2023 | |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|
| | Fair value | Cost | Fair value | Cost |
| | \$ | \$ | \$ | \$ |
| Short-term investments | | | | |
| Money market/GIC | 12,385,952 | 12,385,952 | 7,428,742 | 7,428,742 |
| Long-term investments | | | | |
| Canadian equity | 4,451,277 | 2,481,608 | 4,392,942 | 2,658,655 |
| United States equity | 4,949,329 | 4,231,813 | 4,319,454 | 4,429,644 |
| International equity | 3,273,961 | 3,368,473 | 2,989,226 | 3,166,907 |
| Canadian fixed income | 6,882,040 | 7,576,769 | 5,490,190 | 6,191,420 |
| Alternative funds | 3,200,050 | 3,150,635 | 3,538,238 | 3,598,381 |
| Money market | 1,617,256 | 1,617,256 | 1,299,923 | 1,299,923 |
| | 24,373,913 | 22,426,555 | 22,029,973 | 21,344,930 |
| Endowed investments | | | | |
| Money market/GIC | 1,887,197 | 1,887,197 | 1,887,197 | 1,887,197 |

The endowment investment is held in a money market fund outside of the short-term investments. Money market investments earned 4.05% to 5.10% [2023 – 0.4% to 4.05%].

The investment policy for the pooled funds provides for an asset mix based on market value of 30.0% [+20.0%-10%] fixed income, 50.0% [+/-15.0%] equity securities, and 15.0% [+10.0%/-15.0%] alternative funds and is rebalanced as directed by the Foundation's Investment Committee. Alternative funds are defined as investment vehicles or funds that have generally lower correlation to publicly traded equity and bond markets and are utilized to reduce volatility and risk.

During the year, \$510,000 of investments were purchased [2023 – \$235,356 were sold].

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Notes to financial statements

March 31, 2024

5. Capital assets

Capital assets consist of the following:

| | 2024 | | 2023 | |
|------------------------|------------------|-----------------------------------|-------------------------|-------------------------|
| | Cost \$ | Accumulated amortization \$ | Net book value \$ | Net book value \$ |
| Office equipment | 19,615 | 17,206 | 2,409 | 5,018 |
| Computer equipment | 114,481 | 99,201 | 15,280 | 26,827 |
| Furniture and fixtures | 173,293 | 81,563 | 91,730 | 95,976 |
| Land | 640,000 | 0 | 640,000 | 640,000 |
| Building | 1,097,888 | 206,715 | 891,173 | 936,424 |
| | 2,045,277 | 404,685 | 1,640,592 | 1,704,245 |

6. Lottery joint venture activities

In fiscal 2013, the Foundation entered into a joint venture agreement with London Health Sciences Foundation and St. Joseph's Health Care Foundation [the "Venturers"] relating to future Dream Lotteries, whereby the Venturers have contractually shared power to determine the strategic operating, investing and financing activities of the joint venture. The Foundation has made an accounting policy choice to account for its one-third interest in the joint venture, which has a January 31 year-end, using the equity method. The Foundation will receive 33.33% of the net proceeds of each Dream Lottery and is liable for 33.33% of any loss should it occur.

The Foundation's one-third share of the joint venture's assets, liabilities, operations and cash flows as at and for the year ended January 31 are as follows:

| | 2024 \$ | 2023 \$ |
|---|--------------------|--------------------|
| Foundation's share of total assets | 1,977,989 | 992,544 |
| Foundation's share of total liabilities | 1,977,989 | 992,544 |
| Foundation's share of net assets | — | — |
| | 2024 \$ | 2023 \$ |
| Foundation's share of current year revenue | 3,759,184 | 4,187,811 |
| Foundation's share of current year expenses | 2,412,714 | 2,395,154 |
| Foundation's share of excess of revenues over expenses | 1,346,470 | 1,792,657 |

The Foundation's share of cash provided by operating activities of the joint venture was \$977,548 [2023 – provided by \$81,350].

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Notes to financial statements

March 31, 2024

7. Commitments

Lease commitments

The Foundation has operating lease commitments for equipment.

The total minimum lease payments due over the term of the leases are as follows:

| | \$ |
|------|---------------|
| 2025 | 13,659 |
| 2026 | 12,213 |
| 2027 | 10,661 |
| 2028 | 9,108 |
| 2029 | 4,454 |
| | <u>50,095</u> |

8. Mortgage on 345 Westminster Ave

| | 2024 | 2023 |
|--|-----------------------|----------------|
| | \$ | \$ |
| The Foundation has a mortgage on its premises. The initial loan was \$900,000 payable over nine years with blended monthly payments of \$9,512 bearing interest at 3% per annum. There is an open option after January 2022 to pay the mortgage in full at any time. Secured by the land and building in note 5. | 467,616 | 566,214 |
| Less current portion | 101,578 | 98,598 |
| | <u>366,038</u> | <u>467,616</u> |

Principal repayments on the mortgage in each of the next five years are as follows:

| | \$ |
|------|----------------|
| 2025 | 101,578 |
| 2026 | 104,648 |
| 2027 | 107,811 |
| 2028 | 111,070 |
| 2029 | 42,509 |
| | <u>467,616</u> |

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Notes to financial statements

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9. Pension plan

Effective April 1, 2020, substantially all employees of the Foundation became members of the Healthcare of Ontario Pension Plan ["HOOPP"]. HOOPP is a multi-employer defined benefit pension plan.

The Foundation has a defined contribution employee pension plan for employees that did not transition to HOOPP.

The financial statements for the year ended December 31, 2023, for HOOPP disclosed net assets available for benefits of \$112,635,000 [2022 – \$103,674,000] with pension obligations of \$102,454,000 [2022 – \$92,721,000], resulting in a surplus of \$10,181,000 [2022 – \$10,953,000].

10. Grant obligations

The Board of Directors have approved the following grant obligations for fiscal 2024–2025. These obligations have not been reflected in the financial statements.

| | \$ |
|--|------------------|
| Children's Hospital at LHSC programs | 3,894,557 |
| Children's Hospital Patient Care Equipment at LHSC | 1,179,645 |
| Children's Health Research Institute Program | 1,548,703 |
| Thames Valley Children's Centre | 1,377,095 |
| | <u>8,000,000</u> |

11. Government remittances payable

As at March 31, 2024, the Foundation has outstanding government remittances payable, including amounts for payroll taxes and health taxes of \$50,660 [2023 – \$41,903]. This amount is included in accounts payable and accrued liabilities. None of these remittances are in arrears.

12. Financial instruments and risk management

Credit risk

Credit risk is the risk of potential loss to the Foundation if a counterparty to the financial instrument fails to meet its contractual obligation. The Foundation does not have any significant exposure to credit risk.

Market risk

Market risk is the risk that the value of an investment will decrease due to changes in market factors.

The Foundation has an investment policy that restricts the types and amounts of eligible investments. The policy permits investments in fixed income investments and equity securities included in select market indices. Equity and fixed income securities are held within pooled funds. Risk and volatility of investment returns are mitigated through diversification of investments in different countries, business sectors and corporation sizes.

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The Foundation is liable, as explained in note 6, for 33.33% of any loss that occurs under the Dream Lottery Agreement. Based on the historical performance of this campaign, the Foundation feels that this is not a significant risk. However, the Foundation does have sufficient liquid assets to cover any shortfall if it occurs.

Currency risk

Foreign currency risk is the risk that the fair value of future cash flows from the Foundation's financial instruments will fluctuate because of changes in foreign exchange rates.

The Foundation's investments are denominated in Canadian dollars. Certain investments such as United States and other international equities include investments in foreign jurisdictions and are, therefore, subject to foreign currency fluctuations. The Foundation mitigates the currency risk exposure of its foreign securities through diversification of its pooled funds, which consist of multiple currencies.

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Foundation's cash flows, financial position and income.

Interest rate changes directly impact the value of fixed income securities included within short-term investments and investments. The Foundation manages the interest rate price risk exposure of its fixed income investments by holding investments with varying terms to maturity.

13. Interfund transfer

During the year, the Foundation transferred \$2,351,274 [2023 – \$170,128] from the General Fund into the Internally Restricted Fund. This transfer is approved by the Board of Directors.