Financial Statements of

GRAND RIVER HOSPITAL FOUNDATION

And Independent Auditor's Report Thereon

Year ended March 31, 2023

GRAND RIVER HOSPITAL FOUNDATION
Financial Statements

Year ended March 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Governors of Grand River Hospital Foundation

Opinion

We have audited the financial statements of Grand River Hospital Foundation (the "Foundation"), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2023, and its results of operations, its changes in fund balances, 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 Auditor's 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 these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 the 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's 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

August 11, 2023

GRAND RIVER HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents (note 2)	$ 14,252,843	$ 1,627,755
Accounts receivable	203,041	94,736
Due from Grand River Hospital Corporation (note 7)	180,355	537,350
Net investment in finance lease receivable, current portion (note 4)	596,667	596,667
Inventories	31,771	16,099
Prepaids	421,363	30,612
	15,686,040	2,903,219
Investments (note 3)	21,457,472	21,559,033
Net investment in finance lease receivable (note 4)	7,557,777	8,154,444
Capital assets – leased land (note 4)	1,500,000	1,500,000
Capital assets (note 5)	1,597,326	33,986
	$ 47,798,615	$ 34,150,682
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	$ 378,593	$ 270,843
Due to Grand River Hospital Corporation (note 7)	4,475,136	671,572
Deferred revenue	131,799	79,199
Debt – principal payments required within one year (note 8)	596,667	596,667
Current liabilities before callable debt	5,582,195	1,618,281
Debt (note 8)	7,557,777	8,154,444
Total current liabilities	13,139,972	9,772,725
Fund balances:		
Endowment	3,729,343	4,073,096
Restricted	13,568,865	12,818,276
Operating fund:		
Internally restricted (note 9)	3,000,000	4,200,000
Unrestricted	14,360,435	3,286,585
	17,360,435	7,486,585
Total fund balances	34,658,643	24,377,957
Commitment (note 11)		
	$ 47,798,615	$ 34,150,682

See accompanying notes to financial statements.

On behalf of the Board:

_____________________________ Governor

_____________________________ Governor

GRAND RIVER HOSPITAL FOUNDATION

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2023, with comparative information for 2022

	Endowment	Restricted	Operating	2023	2022
Revenue:					
Donations from annual, major, leadership and planned giving	$ 46,221	$ 5,265,917	$ 17,081,620	$ 22,393,758	$ 10,643,469
Donations from Grand River Hospital Volunteer Association	–	–	2,537	2,537	4,607
Donations-in-kind	–	29,020	–	29,020	427,000
Receipted life insurance premiums (non-cash)	–	750	–	750	750
GrandVenture	–	48,200	–	48,200	53,178
Other income (notes 4 and 7)	–	–	477,127	477,127	426,636
Lease finance income and other interest income (note 4)	–	–	212,601	212,601	91,973
Investment income (loss) (note 10)	(14,398)	687	283,235	269,524	643,805
	31,823	5,344,574	18,057,120	23,433,517	12,291,418
Expenses:					
Direct fund raising (note 12):					
Major & planned	–	17	730,210	730,227	907,612
Impact	–	224,817	824,242	1,049,059	541,152
Venture	–	310,422	573,134	883,556	506,972
Charitable programs:					
GrandVenture & charitable activities	–	19,752	2,603,873	2,623,625	256,845
Integrated vvolunteer pprogram	–	–	115,044	115,044	–
Integrated marketing & communications program	–	–	20,879	20,879	–
Operating expenses:					
Salaries and benefits	–	–	716,272	716,272	769,936
Contract wages	–	–	22,241	22,241	54,302
Office and administrative (note 4)	14,262	10,831	648,204	673,297	902,907
Amortization	–	–	23,038	23,038	10,555
Interest and financing fees (note 8)	–	–	235,582	235,582	95,039
	14,262	565,839	6,512,719	7,092,820	4,045,320
Grants and other expenses:					
Cash grants to Grand River Hospital Corporation	361,314	3,988,407	1,532,583	5,882,304	8,533,367
Cash grants to St. Mary's Hospital Foundation	–	–	10,000	10,000	340,930
Cash grants to other registered charities	–	290	–	290	–
In-kind grants to Grand River Hospital Corporation	–	38,699	127,968	166,667	461,498
Receipted life insurance premiums (non-cash)	–	750	–	750	750
	361,314	4,028,146	1,670,551	6,060,011	9,336,545
Excess (deficiency) of revenue over expenses and grants	(343,753)	750,589	9,873,850	10,280,686	(1,090,447)
Fund balances, beginning of year	4,073,096	12,818,276	7,486,585	24,377,957	25,468,404
Fund balances, end of year	$ 3,729,343	$ 13,568,865	$ 17,360,435	$ 34,658,643	$ 24,377,957

GRAND RIVER HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2023, with comparative information 2022

	2023	2022
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses and grants	$ 10,280,686	$ (1,090,447)
Items not involving cash:		
Amortization of capital assets	23,038	10,555
Change in fair value of investments (note 10)	1,672,399	1,867,766
Change in non-cash operating working capital	3,696,542	(2,090,633)
	15,672,665	(1,302,759)
Investing:		
Purchase of leased land and building	–	(10,450,000)
Purchase of capital assets	(1,586,378)	–
Principal payments received on net investment financing lease	596,667	49,722
Due from Grand River Hospital Corporation – principal net financing lease payments portion	109,639	(149,167)
Purchase of investments	(1,570,838)	(3,807,290)
Proceeds of sale of investments	–	5,317,522
	(2,450,910)	(9,039,213)
Financing:		
Advance of debt	–	8,950,000
Principal repayment of debt	(596,667)	(198,889)
	(596,667)	8,751,111
Increase (decrease) in cash and cash equivalents	12,625,088	(1,143,360)
Cash and cash equivalents, beginning of year	1,627,755	2,771,115
Cash and cash equivalents, end of year	$ 14,252,843	$ 1,627,755

See accompanying notes to financial statements.

Grand River Hospital Foundation's (the "Foundation") predominate declared purpose is to raise funds to finance the purchase of capital assets, patient experience, minor renovations, equipment purchases related to special projects, education, training and health research and innovation, as directed by the donors, for the Grand River Hospital Corporation (the "Hospital"). The Foundation is incorporated, without share capital, under the laws of Ontario and is registered with Canada Revenue Agency as a Public Foundation. It is exempt from income tax and may issue charitable donation receipts to donors as long as it continues to meet the requirements of the Income Tax Act.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Chartered Professional Accountants of Canada Handbook Part III - Canadian accounting standards for not-for-profit organizations. The significant policies are summarized below:

(a) Fund accounting:

In order to ensure observance of the limitations and restrictions on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. These funds are held in accordance with the objectives specified by the donors, or in accordance with directives issued by the Board of Governors. Transfers between the funds are made when it is considered appropriate and authorized by the Board of Governors. To meet the objectives of financial reporting and stewardship over the assets, certain interfund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. These interfund transfers are recorded as a component of changes in fund balances.

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

(i) Restricted funds include amounts that are restricted in accordance with the objectives as specified by the donors. Fundraising costs directly associated with specific restricted funds are charged to those funds. Included in restricted funds are funds for the Grand River Hospital's KW Health Centre and Freeport Health Centre and Grand River Regional Cancer Centre. These funds are considered to be restricted as they can only be used for costs incurred at each respective site.

(ii) Operating funds include all other expendable funds and investments. A portion of operating expenses are charged to the operating fund.

(iii) Endowment funds are resources that are required to be maintained by the Foundation on a permanent basis. Revenue of the endowment fund is limited to amounts that have been restricted for endowment purposes by the external contributor.

(iv) Internally restricted funds are determined and approved by the Board of Governors in accordance with the Foundation's reserve policy.

1. Significant accounting policies (continued):

(b) Revenue recognition:

The Foundation follows the restricted fund method of accounting for contributions.

Donations designated by the donor as endowment contributions are recognized as revenue in the endowment fund. All other donor-restricted contributions are recognized as revenue of the restricted fund. Unrestricted contributions are recognized as revenue of the operating fund.

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

Revenue from fundraising events is recognized when the event takes place.

GrandVenture revenue relates to the sale of goods. GrandVenture revenue is recognized when products are shipped, the customer takes ownership and assumes risk of loss, collection of the related receivable is probable, persuasive evidence of an arrangement exists, and the sales price is fixed or determinable.

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months at the date of acquisition. These financial assets are convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(d) Inventories:

Inventories such as merchandise are measured at the lower of cost and net realizable value.

(e) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(f) Capital assets:

Capital assets are stated at cost. Amortization is recorded on all capital assets over the estimated useful life of the assets at the following annual rates:

Asset	Basis	Rate
Building	Declining-balance	4%
Office equipment	Declining-balance	20%
Computer hardware	Declining-balance	45%
Computer software	Declining-balance	45%
Website	Straight-line	5 years

The carrying value of an item of capital assets is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount is not recoverable and exceeds its fair value.

1. Significant accounting policies (continued):

(g) Net investments in direct financing lease:

The Foundation entered into an agreement with Grand River Hospital Corporation that includes a clause allowing them to purchase the rights to the exclusive portion of the building corresponding to the leased location upon the earliest of the expiration of the building's financing term of 15 years or when the Hospital exercises a purchase option. The contents of the agreement satisfy the recognition criteria for direct financing leases and, consequently, the investment is recognized in the statement of financial position. Finance income related to direct financing leases is recognized rate of return on the investment in the lease.

(h) Donations-in-kind:

Donated materials contributed to the Foundation are recorded at fair market value when provided.

(i) Multi-employer plan:

The Foundation employees are members of the Healthcare of Ontario Pension Plan ("HOOPP"), a multi-employer defined benefit pension plan. Defined contribution plan accounting (where contributions are expensed as incurred) is applied to HOOPP as the Foundation does not have the necessary information to apply defined benefit plan accounting.

(j) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value.

Financial assets and liabilities are recognized on the trade date at which the Foundation becomes a party to the contractual provisions of the instruments.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets at cost or amortized cost are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

1. Significant accounting policies (continued):

(k) Interest rate hedging:

At the inception of hedging relationship, the Foundation designates that hedge accounting will be applied. The Foundation formally documents the hedging relationship between the hedging instruments and hedged item. At the inception of the hedge and throughout its term, the terms of the hedging item and hedged item are the same.

Hedge accounting is used only when the notional amount of the swap matches the principal amount of the hedged item, the fair value of the swap at the inception is nil, the fixed rate is the same throughout the swap and the variable rate is based on the same index and includes the same or no adjustment and the debt instrument cannot be settled before maturity and the swap matures within two weeks of the maturity date of the debt.

(l) Life insurance policies:

For life insurance policies amounts are recorded as an asset of the Operating Fund to the extent there is a cash surrender value. The difference between the annual premium and the increase in cash surrender value is reflected as other income. Any policy premiums paid by the Foundation for life insurance policies, are recorded as an expense. When a contributor pays a premium, the premium paid is recorded as other income with an offsetting expense. Revenue from the proceeds of life insurance policies is recognized when the insured event has occurred and collection is certain.

(m) Related party transactions:

Monetary related party transactions and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of business. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount.

All other related party transactions are measured at the carrying amount.

2. Cash:

The Foundation has an operating line available to a maximum of $150,000 at bank prime plus 1% and is unsecured. No amount was drawn at March 31, 2023 (2022 - $nil).

The Foundation has outstanding letters of credit totaling $205,000 (2022- $70,000).

3. Investments:

	2023	2022
Balanced pooled fund (fair value)	$ 21,457,472	$ 21,559,033

4. Net investment in finance lease receivable:

In 2022, the Foundation has financed the purchase of lands and building for the use of medical offices for the Hospital. On October 7, 2021, the Foundation and the Hospital entered into a 15-year leasing agreement for the Pine Street properties.

The lease payments shall be equal to the debt repayment terms which are blended payments of principal of $49,772 plus interest. The Hospital has an option to purchase the property at the earlier of, the end of the lease term in October 2036 or when the Hospital provides written notice to purchase the assets. At the time the option to purchase is exercised or at the end of the lease term, the land will transfer to the Hospital for consideration of $1, unless agreed otherwise in writing. At the time the option to purchase is exercised or at the end of the lease term, the building will transfer to the Hospital at the outstanding balance of the net investment in finance lease receivable.

The Hospital is also responsible for all costs associated with operating the building including property taxes, utilities, legal fees, land transfer tax and any other expenses required to maintain the leased premise are included in the statement of operations in other income $72,518 (2022 - $346,390) and related expenses are included in office and administration $72,518 (2022 - $346,390).

	2023	2022
2023	$ –	$ 809,267
2024	795,350	795,350
2025	778,821	778,821
2026	764,385	764,385
2027	749,424	749,424
2028	734,834	734,834
Thereafter	5,739,464	5,739,462
Total minimum lease payments receivable	9,562,278	10,371,543
Less amount representing interest unearned finance income 2.52% interest rate	(1,407,834)	(1,620,432)
Net investment in finance lease receivable	8,154,444	8,751,111
Less: current portion	(596,667)	(596,667)
Net investment in finance lease receivable, long-term	$ 7,557,777	$ 8,154,444

Finance income of $212,601 (2022 - $91,973) relating to the net investment in finance lease receivable has been included in lease finance income and other interest income on the statement of operations.

The unguaranteed residual value of the leased property is $1,500,000 representing land.

As at March 31, 2023 there is no impairment allowance on the net investment in finance lease receivable.

5. Capital assets:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 1,000,000	$ –	$ 1,000,000	$ –
Building	550,000	4,585	545,415	–
Office equipment	157,135	120,132	37,003	27,819
Computer hardware	184,751	169,843	14,908	5,327
Computer software	105,605	105,605	–	129
Website	23,743	23,743	–	711
	$2,021,234	$ 423,908	$ 1,597,326	$ 33,986

In November 2022, the Foundation purchased a property for a total cash consideration of $1,550,000. The property contains the Foundation's new administrative offices, donor relations and events space.

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $8,636 (2022 - $12,649), which includes amounts payable for HST and payroll related taxes.

7. Related party transactions with Grand River Hospital Corporation:

The Foundation is a separate entity and disburses funds at the discretion of its own Board of Governors. As a significant portion of the Foundation's funds benefit the Hospital, the Hospital is a related entity.

Effective January 1, 2014, the Foundation entered into a formal agreement with the Hospital for the Hospital to continue to provide staff services to the Foundation and effective April 1, 2022 the agreement was terminated. The Foundation now employs their own employees.

The Foundation reimbursed the Hospital for expenses paid by the Hospital on behalf of the Foundation in the amount of $258,820 (2022 - $1,901,997). In 2022, the expenses include amounts for Hospital staff performing functions on behalf of the Foundation.

The amount due to the Hospital of $4,475,136 (2022 - $671,572) represents grants for approved capital and patient experience program funding made by the Hospital of $4,440,391 (2022 - $511,673), and $34,745 (2022 - $159,899) in operating expenses, not yet reimbursed by the Foundation.

The Hospital owes the Foundation funds related to both reimbursable charitable programs and operating costs relating to the leased property and marketing services. The amount owing to the Foundation is $180,355 (2022 - $537,350).

The Foundation recognized revenue of $350,379 (2022 - $nil) in other income on the statement of operations for services provided to the Hospital for volunteer, marketing and communication.

8. Callable debt:

The lender has the right to call for repayment at any time. Although management does not believe that the demand features of the debt will be exercised in the upcoming year, the demand non-revolving term loan has been classified as current liabilities due to the terms of the debt agreement.

	2023	2022
1.87% fixed plus Bankers' acceptance stamping fee of 0.65%, demand non-revolving term loan repayable in blended payments of principal of $49,722 plus interest, due November 10, 2036.	$ 8,154,444	$ 8,751,111
	8,154,444	8,751,111
Less current portion of principal repayments required within a year	(596,667)	(596,667)
	$ 7,557,777	$ 8,154,444

This facility is secured by a general security agreement, and a first charge over real property at 18 and 27 Pine St. Kitchener for $10,000,000 and first priority interest in all present and future personal property and an assignment of lease between Grand River Hospital Corporation and the Foundation.

Interest payments on debt during the year totaled $177,658 (2022 - $60,295), Bankers' acceptance stamping fees $57,924 (2022 - $23,955) and other financing fees of $nil (2022 - $10,789), presented as interest and financing fees expense on the statement of operations.

The Foundation has an interest rate swap agreement to manage the volatility of interest rates on debt. The maturity date of the interest rate swap is the same as the maturity date of the associated callable debt. The notional amount of the debt and interest rate swap at inception was $8,950,000.

The fair value of the interest rate swap as at March 31, 2023 is in a net favorable position of $440,273 (2022 - $275,937).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date of March 31, 2023 (2022 – March 31, 2022).

8. Callable debt (continued):

Management does not believe that the demand features of the debt will be exercised in the upcoming year. Assuming no demand is made to pay any of the debt, then regular principal payments required under the repayment terms are as follows:

2024	$ 596,667
2025	596,667
2026	596,667
2027	596,667
2028	596,667
Thereafter	5,171,109
	$ 8,154,444

9. Internally restricted fund:

	2023	2022
Internally restricted for operations	$ 3,000,000	$ 4,200,000

The use of the internally restricted fund requires approval by the Board of Governors. During the year, the Board of Governors approved to move $1,200,000 internally restricted funds to unrestricted funds pursuant to the Foundation's reserve policy.

10. Investment income (loss):

	2023	2022
Interest	$ 370,753	$ 21,320
Pooled fund interest and dividends	1,570,838	2,493,761
Gain (loss) on sale of stock donations	332	(3,510)
Change in fair value of investments	(1,672,399)	(1,867,766)
Total investment income	$ 269,524	$ 643,805

Investment income earned on restricted funds in the year is deemed for unrestricted use by the Board of Governors.

11. Commitment:

The Board of Governors has approved a commitment of $8,535,000 from restricted funds pursuant to donor stipulations and unrestricted funds to assist the Hospital with its capital and service commitments in fiscal 2024.

12. Allocation of direct fundraising expenses:

The Foundation allocates direct fundraising expenses including administrative, salaries and benefits and other costs that are directly related to the relevant fund. Special events and marketing and direct fundraising expenses are recorded in the fund that the direct cost relates to.

The direct fundraising expenses by fund are as follows:

	Restricted 2023	Operating 2023
Major:		
Salaries and benefits	$ –	$ 669,376
Direct fundraising and marketing expenses	17	60,834
	$ 17	$ 730,210
Impact:		
Salaries and benefits	$ –	$ 327,579
Direct fundraising and marketing expenses	224,817	496,663
	$ 224,817	$ 824,242
Venture:		
Salaries and benefits	$ –	$ 519,533
Direct fundraising and marketing expenses	310,422	53,601
	$ 310,422	$ 573,134

12. Allocation of direct fundraising expenses (continued):

	Restricted 2022	Operating 2022
Major:		
Salaries and benefits	$ –	$ 777,108
Direct fundraising and marketing expenses	1,918	128,586
	$ 1,918	$ 905,694
Impact:		
Salaries and benefits	$ –	$ 214,372
Direct fundraising and marketing expenses	20,818	305,962
	$ 20,818	$ 520,334
Venture:		
Salaries and benefits	$ –	$ 94,217
Direct fundraising and marketing expenses	244,396	168,359
	$ 244,396	$ 262,576

13. Contributions to HOOPP:

The Foundation is a participating employer in HOOPP. As HOOPP's assets and liabilities are not segmented by participating employer, the Foundation accounts for its HOOPP obligation on a cash basis (as a defined contribution plan). At December 31, 2022, the pension plan reported a surplus of $10.95 billion (2021 - $28.51 billion).

The Foundation made employer contributions to HOOPP for the year ended March 31, 2023 of $237,092 (2022 - $200,479).

14. Financial risks:

The Foundation manages its investment portfolio to earn investment income and invests according to a Statement of Investment Policy approved by the Board of Governors which establishes a target mix by investment types designed to achieve optimal return within reasonable risk tolerances.

(a) Foreign currency risk:

The Foundation is exposed to foreign currency risk on its foreign currency denominated investments. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

(b) Liquidity risk:

Liquidity risk is the risk of being unable to meet cash requirements or to fund obligations as they become due. Trade accounts payable and accrued liabilities are generally paid within 30 days.

(c) Credit risk:

The Foundation is exposed to credit risk if a counterparty may default on its contractual obligations resulting in a financial loss. The Foundation is exposed to credit risk with respect to the net investment in finance lease receivable. The Foundation assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The Foundation has determined that no allowance for doubtful accounts is not required in 2023 (2022 - $nil).

(d) Interest risk:

The Foundation is exposed to interest rate risk on its fixed interest rate financial instruments of callable debt included in note 8.

There are no changes in financial risks from 2022 with the exception of interest rate risk related to callable debt and credit risk related to net investment in finance lease receivable.

15. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year deficiency of revenue over expenses.