Consolidated Financial Statements of

HEART AND STROKE FOUNDATION OF CANADA

And Independent Auditor's Report thereon

Year ended August 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Heart and Stroke Foundation of Canada

Opinion

We have audited the consolidated financial statements of Heart and Stroke Foundation of Canada (the Entity), which comprise:

- the consolidated statement of financial position as at August 31, 2023
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated 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 consolidated financial position of the Entity as at August 31, 2023, and its consolidated results of operations and its consolidated 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 Entity 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.

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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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

KPMG

- 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 Entity'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 Entity 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

November 24, 2023

HEART AND STROKE FOUNDATION OF CANADA

Consolidated Statement of Financial Position
(In thousands of dollars)

August 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash	$ 94,616	$ 81,693
Accounts receivable (note 11(e))	2,576	3,521
Inventory	1,104	826
Prepaid expenses	1,575	202
	99,871	86,242
Investments (note 2)	79,222	62,583
Investments - Impact fund (note 2)	34,843	35,423
Capital assets (note 3)	2,222	2,597
	$ 216,158	$ 186,845
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	$ 4,773	$ 9,371
Research awards payable	19,737	16,875
Deferred revenue (note 4)	10,960	10,720
	35,470	36,966
Other long-term liabilities (note 8)	1,477	–
Research awards payable	21,471	17,147
Deferred contribution	506	506
Lease inducements	803	275
Employee future benefits (note 5)	10,319	8,865
	70,046	63,759
Net assets:		
Internally restricted:		
Impact fund (note 6(a))	37,717	36,782
Strategic initiatives (note 6(b))	76,748	54,282
Reserves (note 6(c))	22,500	22,500
Invested in capital assets (note 6(d))	2,222	2,597
	139,187	116,161
Endowments	6,925	6,925
	146,112	123,086
Subsequent event (note 5(a))		
Commitments (note 10)		
	$ 216,158	$ 186,845

See accompanying notes to consolidated financial statements.

On behalf of the Board:

MKFox

Maggie Fox
Chair

Jason Chang
Chair, Finance and Audit Committee

HEART AND STROKE FOUNDATION OF CANADA

Consolidated Statement of Operations
(In thousands of dollars)

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

	2023	2022
Revenue:		
Fundraising receipts:		
Community-based programs	$ 7,206	$ 6,676
Direct marketing	35,825	35,243
Corporate sponsorship	3,837	4,480
Mission	8,096	7,691
Major gifts	36,001	39,339
	90,965	93,429
Less: net change in deferrals (note 4)	(677)	(616)
	90,288	92,813
Lottery	34,186	36,029
	124,474	128,842
Government sponsored projects and grants (note 4)	1,104	984
Government wage and rent subsidies	–	269
Investment and other financial income	8,181	5,854
	9,285	7,107
Total revenue	133,759	135,949
Direct costs:		
Fundraising (note 7)	11,686	11,401
Lottery (note 7)	24,627	21,445
	36,313	32,846
Net revenue before operating and mission expenses:		
Fundraising	78,602	81,412
Lottery	9,559	14,584
Government, investment, and other	9,285	7,107
	97,446	103,103
Operating expenses (note 8):		
General fundraising (note 7)	18,954	19,322
Administration (note 7)	2,944	2,828
	21,898	22,150
Funds available for mission	75,548	80,953
Mission programs expenses (note 8):		
Research (note 7)	21,961	24,185
Health promotion and community programs (note 7)	32,451	30,992
	54,412	55,177
Excess of revenue over expenses before the undernoted	21,136	25,776
Changes in fair value of investments	3,455	(9,618)
Excess of revenue over expenses	$ 24,591	$ 16,158

See accompanying notes to consolidated financial statements.

HEART AND STROKE FOUNDATION OF CANADA

Consolidated Statement of Changes in Net Assets
(In thousands of dollars)

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

	Unrestricted	Internally restricted (note 6)	Endowments	2023 Total	2022 Total
Net assets, beginning of year	$ –	$ 116,161	$ 6,925	$ 123,086	$ 107,167
Excess of revenue over expenses	24,591	–	–	24,591	16,158
Remeasurement and other items relating to employee future benefits	(1,565)	–	–	(1,565)	(239)
Interfund transfers (note 6)	(23,026)	23,026	–	–	–
Net assets, end of year	$ –	$ 139,187	$ 6,925	$ 146,112	$ 123,086

See accompanying notes to consolidated financial statements.

HEART AND STROKE FOUNDATION OF CANADA

Consolidated Statement of Cash Flows
(In thousands of dollars)

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

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 24,591	$ 16,158
Items not affecting cash:		
Amortization of capital assets	492	1,349
Changes in fair value of investments	(3,455)	9,618
Reinvested realized investment income and gain on disposal of investments	(2,927)	(3,658)
Pension plan expense	431	478
Amortization of lease inducements	528	(458)
Write off of capital assets (note 8)	385	757
Contributions to pension plan	(542)	(1,564)
Change in non-cash operating working capital:		
Accounts receivable	945	857
Inventory	(278)	(359)
Prepaid expenses	(1,373)	(26)
Accounts payable and accrued liabilities	(3,121)	4,144
Research awards payable	7,186	6,078
Deferred revenue	240	250
	23,102	33,624
Investing activities:		
Return of capital on annuity	1,889	1,815
Purchases of capital assets	(502)	(2,328)
Purchases of investments	(11,566)	–
	(10,179)	(513)
Increase in cash	12,923	33,111
Cash, beginning of year	81,693	48,582
Cash, end of year	$ 94,616	$ 81,693
Consisting of:		
Cash	$ 91,493	$ 76,125
Cash - Impact fund	3,123	5,568
	$ 94,616	$ 81,693

See accompanying notes to consolidated financial statements.

The Heart and Stroke Foundation of Canada (the "Foundation") is a registered charity exempt from income taxes, incorporated under the provisions of the Canada Not-for-profit Corporations Act. The Foundation's mission is to "Promote health. Save lives. Enhance recovery." The Foundation's vision is "Life. Uninterrupted by heart disease and stroke."

1. Significant accounting policies:

(a) Basis of presentation and consolidation:

These consolidated financial statements include the assets, liabilities, revenue and expenses of the Foundation and all of its subsidiaries over which the Foundation has effective control, including the Heart and Stroke Foundation of British Columbia and Yukon, Heart and Stroke Foundation of Nova Scotia, Heart and Stroke Foundation of Ontario, Heart and Stroke Foundation of Prince Edward Island Inc., and Heart and Stroke Foundation of Quebec.

These consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations applied in Part III of the Chartered Professional Accountants of Canada Handbook.

(b) Revenue recognition:

The Foundation follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Investment income, which is recorded on the accrual basis, includes interest, dividends, and net realized gains (losses) on sale of investments. Restricted investment income is recorded in deferred revenue until the related expense is incurred. Endowment contributions, where donors have restricted the original contribution to be maintained in perpetuity, are recognized as direct increases in endowments net assets.

Sales of educational materials are recorded when shipment has occurred, title has passed and when collection is reasonably assured.

1. Significant accounting policies (continued):

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. 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. The Foundation has elected to carry all investments at fair value except for the annuity, which is recorded at cost.

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 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 year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(d) Inventory:

Inventory is carried at the lower of average cost and net realizable value. Cost is determined on a weighted average basis and includes direct and indirect expenses incurred in bringing an item to its existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to sell an item.

1. Significant accounting policies (continued):

(e) Capital assets:

Capital assets, which are initially recorded at cost, are amortized on a straight-line basis over their estimated useful service lives as follows:

Furniture and fixtures	8 years
Equipment	5 years
Computer hardware and software	3 - 5 years
Leasehold improvements	Term of lease

Capital assets are written down to fair value or replacement cost to reflect partial impairments when conditions indicate that the assets no longer contribute to the Foundation's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the capital assets are less than their net carrying amounts.

(f) Research awards payable:

Certain research projects funded by the Foundation extend over a number of years. The multi-year research awards are expensed and recorded as payable in the year they are approved by the Board of Directors given that a constructive obligation is created at the time of approval. Unexpended balances of terminated grants are offset against the current year's expenses.

(g) Lease inducements:

The Foundation enters into long-term leases and receives certain lease inducements and rent allowances, which are amortized on a straight-line basis over the expected lease term.

1. Significant accounting policies (continued):

(h) Employee future benefits:

The Foundation's pension plans consist of a defined benefit plan and a defined contribution plan. The defined benefit plan provides benefits for employees who joined prior to November 1, 2014. Employees who joined after November 1, 2014 were enrolled in the defined contribution plan. Active members in the defined benefit plan stopped accruing credited service in the plan as of October 31, 2015 and transitioned to the defined contribution plan as of November 1, 2015. The pension contribution is based on length of service and rate of pay.

(i) Defined benefit plan:

The Foundation records its obligations as being its total liabilities and related costs less the plan assets.

The Foundation has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance for funded plans, salary escalation, retirement ages of employees and expected health-care costs.

- Plan assets are measured at fair value.

- Actuarial gains (losses) on plan assets arising from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period are immediately recognized in the consolidated statement of changes in net assets. For the purpose of calculating the expected return on plan assets, the assets are valued at fair value. Actuarial gains (losses) on the accrued benefit obligation, arising from differences between actual and expected experience and from the changes in the actuarial assumptions used to determine the accrued benefit obligation, are immediately recognized in the consolidated statement of changes in net assets.

1. Significant accounting policies (continued):

(ii) Defined contribution plan:

The Foundation recognizes the current service cost of employee future benefits for the year equal to the Foundation's contributions required to be made in the year, in exchange for employee services rendered during the year; and estimated present value of any contributions required to be made by the Foundation in future years related to employee services rendered during the year.

(i) Expenses:

Direct costs are those directly attributable to various fundraising, lottery or other programs.

General fundraising expenses include operating and salary costs related to fundraising, but not specifically attributable to a fundraising program.

Research expenses include grants for research projects, fellowships, new and career investigator awards, graduate student awards and other research-related activities, including administration of research programs and awards, strategic planning of research funds and public messaging of knowledge from research findings.

Health promotion and community programs expenses include all spending related to the promotion of healthy living and advocacy. This spending focuses on activities related to healthy communities, prevention and awareness and heart healthy children and youth.

The expenses of the Foundation are recorded on an accrual basis in the year they are incurred.

(j) Allocation of expenses:

The Foundation allocates certain costs by identifying the appropriate basis of allocating and applying that basis consistently each year. The cost of fundraising activities and general support include both costs which can be directly attributed and costs which are allocated to each function.

The basis of allocation varies depending on the nature of the expense and is a function of time spent, material costs, delivery costs and head count.

1. Significant accounting policies (continued):

(k) Foreign currency translation:

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the consolidated statement of financial position date, whereas other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenue and expenses denominated in foreign currency are translated at the rate in effect on the transaction date. Gains and losses are included in the consolidated statement of operations.

(l) Contributed material and services:

Contributed materials and services are recognized only if the fair value can be reasonably estimated at the date of contribution and when the materials and services are used in the normal course of the Foundation's operations and would otherwise have been purchased. There were no significant amounts of contributed material and services in 2023 or 2022.

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

(m) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include assets and obligations related to employee future benefits. Actual results could differ from those estimates.

(In thousands of dollars)

2. Investments:

	2023	2022
Measured at fair value:		
Pooled funds:		
Canadian equity	$ 24,207	$ 22,179
Foreign equity	24,526	21,774
Canadian fixed income	23,224	18,630
Canadian infrastructure	5,215	–
Foreign real estate	2,050	–
Investments	79,222	62,583
Measured at fair value:		
Pooled funds:		
Canadian equity	10,080	9,450
Foreign equity	7,291	6,762
Canadian fixed income	5,627	5,477
	22,998	21,689
Measured at cost:		
Annuity	11,845	13,734
Investments - Impact fund	34,843	35,423
Total investments	$ 114,065	$ 98,006

3. Capital assets:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	$ 647	$ 135	$ 512	$ 493
Equipment	353	125	228	218
Computer hardware and software	5,352	5,352	–	71
Leasehold improvements	1,829	347	1,482	1,815
	$ 8,181	$ 5,959	$ 2,222	$ 2,597

(In thousands of dollars)

4. Deferred revenue:

Deferred revenue related to expenses of future periods represent unspent externally restricted grants and donations for specific programs. Net change in deferrals on the consolidated statement of operations represent the net of total funds received during the year and total funds recognized as revenue in respect of fundraising receipts. During the year, $677 (2022 - $616) of net designated fundraising receipts were deferred.

				2023	2022
	Government sponsored projects and grants	Fundraising	Other	Total	Total
Balance, beginning of year	$ 1,448	$ 7,013	$ 2,259	$ 10,720	$ 10,470
Funds received	912	3,740	468	5,120	3,553
Funds recognized as revenue	(1,104)	(3,063)	(713)	(4,880)	(3,303)
Balance, end of year	$ 1,256	$ 7,690	$ 2,014	$ 10,960	$ 10,720
Change in deferred revenue	$ (192)	$ 677	$ (245)	$ 240	$ 250

5. Employee future benefits:

The Foundation maintains a defined benefit pension plan and a defined contribution plan.

(a) Defined benefit pension plan:

The defined benefit plan is registered under the Pension Benefits Act (Ontario). Information about the Foundation's plan is as follows:

	2023	2022
Fair value of plan assets	$ 42,465	$ 43,481
Accrued benefit obligation	(52,784)	(52,346)
Employee future benefits liability	$ (10,319)	$ (8,865)

5. Employee future benefits (continued):

The Foundation measures its defined benefit obligations and the fair value of the defined benefit plan assets for accounting purposes as at August 31 of each year. The most recent actuarial valuation of the plan for funding purposes was prepared as at January 1, 2023 and the next required actuarial valuation will be as at January 1, 2024.

On October 24, 2023, the Board of Directors approved a decision to wind up the defined benefit pension plan. Filing for approval with the regulator will be completed in fiscal 2024 with completion of the plan wind-up expected later in the year.

(b) Defined contribution pension plan:

Under the terms of the defined contribution pension plan, eligible employees contribute a range of 2% - 4% of their earnings, which the Foundation is required to match. In addition, existing employees who migrated from the defined benefit pension plan are eligible to receive an additional contribution from the employer, the transition top up, ranging from 0.5% - 5.5%. Employer contributions for the year were $1,106 (2022 - $1,054).

6. Internally restricted net assets:

Internally restricted net assets represent amounts that have been designated by the Board of Directors to fund certain initiatives.

The Foundation sets the amount of internally restricted net asset balances in proportion to risk and economic conditions, and manages fund restrictions to ensure the Foundation's mission and strategic plans are accomplished.

Internally restricted net assets are not available for use by the Foundation for any purpose other than those outlined below, without prior approval by the Board of Directors. Internally restricted net assets consist of the following:

(a) Impact fund:

The Board of Directors approved the establishment of an internally restricted fund to restrict the net gains of both the Vancouver and Winnipeg fiscal 2018 building sales including all resulting investment income. These funds are Board-designated to fund transformational strategic initiatives.

(In thousands of dollars)

6. Internally restricted net assets (continued):

(b) Strategic initiatives:

The Board of Directors determines, during the planning process, an amount to set aside for multi-year strategic initiatives, which are considered over the next three years, to ensure funding is available for the full length of these initiatives. Strategic initiatives include research grants not yet awarded and other initiatives to create mission impact in areas such a diverse populations, women's health, and people with lived experience.

(c) Reserves:

The Board of Directors determines at the end of each year an amount that should be held in reserve against unforeseen events.

(d) Invested in capital assets:

The Foundation internally restricts an amount representing the unamortized portion of capital assets (note 3), which are purchased with unrestricted resources.

7. Allocation of expenses:

Fundraising, administration and mission activities include both costs, which can be directly attributed, and general support expenses, which have been allocated. This is summarized as follows:

				2023	2022
	Fundraising direct costs	Indirect fundraising and administration costs	Mission activities	Total	Total
Fundraising direct costs	$ 11,686	$ –	$ –	$ 11,686	$ 11,401
Lottery direct costs	24,627	–	–	24,627	21,445
General fundraising	–	18,954	–	18,954	19,322
Administration	–	2,815	129	2,944	2,828
Research	–	1,926	20,035	21,961	24,185
Health promotion and community programs	5,619	11,971	14,861	32,451	30,992
	$ 41,932	$ 35,666	$ 35,025	$ 112,623	$ 110,173

(In thousands of dollars)

8. Office facilities:

Since embracing a hybrid virtual work environment, the Foundation no longer requires a pre-pandemic level of physical office facilities to collaborate and drive impact. As a result, the Foundation will not derive further benefit from certain existing leases for office premises and therefore, a loss of $146 (2022 - $2,849) was recorded, representing the present value of remaining net lease obligations. As at August 31, 2023, $2,160 (2022 - $2,380) is remaining in accounts payable and accrued liabilities and other long-term liabilities. In addition, an impairment loss of $385 (2022 - $757) was recognized for certain furniture and fixtures and leasehold improvements used in these premises. These expenses are recorded in operating expenses and mission programs.

9. Banking facilities:

On June 29, 2015, the Foundation entered into a credit facility agreement for a total line of credit comprising a $6,000 revolving line of credit for general business purposes and a $37,000 revolving line of credit for letters of guarantee in support of lottery licenses, available to a maximum of $37,000. The first facility bears interest at the prime rate and is due on demand. There were no amounts drawn on this facility as at August 31, 2023 and 2022. The second facility has specific fees payable of 0.3% on the issue of the respective letters of guarantee. As at year end, there were letters of guarantee outstanding of $6,696 (2022 - $7,152).

The Foundation has pledged a specific portion of its investments in the amount of $48,733 (2022 - $43,953) as security for the second facility and must maintain an aggregate market value for cash and investments of at least $47,000.

10. Commitments:

The Foundation has lease commitments for premises used in its operations. These leases expire on or before May 31, 2031.

2024	$ 919
2025	938
2026	916
2027	875
2028	875
Thereafter	2,446
	$ 6,969

11. Financial risk management:

The main risks to which the Foundation's financial instruments are exposed are liquidity risk, market price risk, currency risk, interest rate risk, and credit risk. There is no significant change to the risk exposure from 2022.

(a) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(b) Market price risk:

Market price risk arises as a result of investing in equity, fixed income, infrastructure, and real estate securities. Fluctuations in market prices expose the Foundation to a risk of loss. The Foundation manages market risk by substantially investing in equities and fixed income pooled mutual funds that meet specific investment criteria established and approved by the Board of Directors and are designed to adequately diversify the Foundation's investments to reduce exposure to market risk. Professional investment managers invest and manage the investment portfolio in accordance with the Foundation's investment policy statement. These equity, fixed income, infrastructure, and real estate investments are recorded at fair value. Fair value estimates are made at a specific point in time and may not be reflective of future value. The Foundation does not hold or issue financial instruments for trading purposes and does not hold or invest in derivative financial instruments.

(c) Currency risk:

As at August 31, 2023, investments in foreign markets represent 30% (2022 - 29%) of the investment portfolio. Currency risk arises from gains and losses due to fluctuations in foreign currency exchange rates on the Foundation's foreign investments. The Foundation does not hedge its foreign currency risk on these investments because these investments are held for the long term. As a result, any residual currency risk is considered acceptable in the long term without implementing a hedging strategy.

11. Financial risk management (continued):

(d) Interest rate risk:

The Foundation is exposed to interest rate risk as the value of its investments fluctuates in accordance with fluctuations in interest rates. The Foundation manages its interest rate risk by monitoring the performance of the individual investments and by ensuring compliance by the investment managers with the Foundation's investment policy statement.

(e) Credit risk:

Financial instruments that potentially subject the Foundation to concentrations of credit risk are cash, investments and accounts receivable. The Foundation places its cash in interest-bearing accounts or instruments insured by Canadian Deposit Insurance Corporation. As at August 31, 2023, the Foundation has a provision for doubtful accounts of $29 (2022 - $27). The Foundation believes that an adequate provision has been made for accounts receivable to the extent that collection is doubtful.