

UHN Foundation

Financial statements

March 31, 2022



Independent auditor's report

To the Members of the
UHN Foundation

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the **UHN Foundation** [the "Foundation"], which comprise the balance sheet as at March 31, 2022 and the statement of revenue, expenses and changes in fund balances and the 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, 2022, 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.

Other matter – comparative financial information

We draw attention to note 1 in the financial statements, which describes the effect of the combination of entities that merged to become the Foundation on April 1, 2021. Merger accounting was applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at March 31, 2021, and the statement of revenue, expenses and changes in fund balances and the statement of cash flows for the year then ended and related disclosures. Our opinion is not modified with respect to this matter.

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.

Report on other legal and regulatory requirements

As required by the *Corporations Act* (Ontario), we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
June 14, 2022



UHN Foundation

Balance sheet

[in thousands of dollars]

As at March 31

	2022	2021
	\$	\$
		<i>[combined – note 1]</i>
Assets		
Cash and cash equivalents	188,735	101,946
Accounts receivable	450	317
Prepaid expenses	634	268
Due from University Health Network <i>[notes 9[e] and [g]]</i>	67,999	53,437
Investments, fair value <i>[note 3]</i>	704,511	701,758
Capital assets, net <i>[note 4]</i>	863	157
	963,192	857,883
Liabilities and fund balances		
Current		
Accounts payable and accrued liabilities	2,475	3,024
Due to University Health Network <i>[note 9[e]]</i>	27,871	16,559
Deferred revenue	1,319	2,148
Total current liabilities	31,665	21,731
Fund balances		
General Fund	384	526
Expendable Restricted Fund <i>[note 5]</i>	594,536	515,410
Endowment Fund <i>[note 6]</i>	336,607	320,216
Total fund balances	931,527	836,152
	963,192	857,883

See accompanying notes

On behalf of the Board:

Raj Kothari
Chair

Paul Farrell
Treasurer

UHN Foundation

Statement of revenue, expenses and changes in fund balances

[in thousands of dollars]

Year ended March 31

	General Fund		Expendable Restricted Fund		Endowment Fund		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$	\$	\$
		<i>[combined – note 1]</i>		<i>[combined – note 1]</i>		<i>[combined – note 1]</i>		<i>[combined – note 1]</i>
Revenue								
Donations <i>[notes 9[f], [g] and 10]</i>	3,877	4,240	187,054	185,142	11,781	8,511	202,712	197,893
Special events	—	136	9,937	4,299	—	—	9,937	4,435
Bequests	1,436	463	1,151	9,906	16	18	2,603	10,387
Total fundraising revenue	5,313	4,839	198,142	199,347	11,797	8,529	215,252	212,715
Investment income <i>[notes 6 and 7]</i>	5,517	30,092	7,534	21,736	3,592	47,218	16,643	99,046
	10,830	34,931	205,676	221,083	15,389	55,747	231,895	311,761
Expenses								
Fundraising and administrative <i>[notes 9[c] and 11]</i>	18,108	20,942	6,010	2,554	—	—	24,118	23,496
Excess (deficiency) of revenue over expenses before grants	(7,278)	13,989	199,666	218,529	15,389	55,747	207,777	288,265
Grants to University Health Network <i>[note 9[b]]</i>	(105)	—	(104,971)	(102,610)	—	—	(105,076)	(102,610)
Grants to other qualified donees	—	—	(7,326)	(1,899)	—	—	(7,326)	(1,899)
Total grants	(105)	—	(112,297)	(104,509)	—	—	(112,402)	(104,509)
Excess (deficiency) of revenue over expenses for the year	(7,383)	13,989	87,369	114,020	15,389	55,747	95,375	183,756
Fund balances, beginning of year	526	127	515,410	391,797	320,216	260,472	836,152	652,396
Transfers between funds <i>[note 8]</i>	7,241	(13,590)	(8,243)	9,593	1,002	3,997	—	—
Fund balances, end of year	384	526	594,536	515,410	336,607	320,216	931,527	836,152

See accompanying notes

UHN Foundation

Statement of cash flows

[in thousands of dollars]

Year ended March 31

	2022	2021
	\$	\$
		<i>[combined – note 1]</i>
Operating activities		
Excess of revenue over expenses for the year	95,375	183,756
Add item not involving cash		
Amortization of capital assets	33	55
Changes in non-cash working capital balances related to operations		
Accounts receivable	(133)	113
Prepaid expenses	(366)	102
Due from/to University Health Network	(3,250)	(56,895)
Accounts payable and accrued liabilities	(549)	217
Deferred revenue	(829)	403
Reinvested investment income	(16,643)	(95,646)
Cash provided by operating activities	73,638	32,105
Investing activities		
Transfer to externally managed investments	(255)	(50,833)
Transfer from externally managed investments	14,145	36,655
Additions to capital assets	(739)	—
Cash provided by (used in) investing activities	13,151	(14,178)
Net increase in cash during the year	86,789	17,927
Cash and cash equivalents, beginning of year	101,946	84,019
Cash and cash equivalents, end of year	188,735	101,946

See accompanying notes

UHN Foundation

Notes to financial statements

[in thousands of dollars, unless otherwise indicated]

March 31, 2022

1. Purpose of the organization and amalgamation

The UHN Foundation [the “Foundation”] is incorporated under the laws of Ontario as a corporation without share capital. The Foundation raises, receives, accumulates and distributes funds and/or the income therefrom for charitable purposes and, in particular, for the benefit of University Health Network [“UHN”] in respect of medical research, education and other activities related to health care.

The Foundation is a public foundation registered under the *Income Tax Act* (Canada) and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes under Registration #12386 4068 RR 0001.

On April 1, 2021, the Toronto General & Western Hospital Foundation [“TGWHF”] and the Toronto Rehabilitation Institute Foundation [“TRIF”] combined operations to become the Foundation. The combination is accounted for as a merger in accordance with Section 4449, *Combinations by Not-for-Profit Organizations* in Part III of the *CPA Canada Handbook – Accounting*. The purpose of the combination is to form one single entity that allows donors to contribute towards an expanded range of initiatives that support patient care, education and research at UHN and to minimize costs and streamline processes.

The financial statements for the year ended March 31, 2022 are the combined results for the period from April 1, 2021 to March 31, 2022 when the entities were operating as one. The prior year audited comparative figures show the aggregated results for the entities when they were operating independently. The TGWHF and TRIF both had prior year-ends of March 31, so audited financial statements of both entities for March 31, 2021 were the basis of the comparative results. There were no significant differences in accounting policies between the entities, so no adjustments were required upon the combination.

The aggregated statement of revenue, expenses and changes in fund balances for the year ended March 31, 2021 is as follows:

	TGWHF	TRIF	Adjustments	Total
	\$	\$	\$	\$
Total revenue	300,475	11,286	—	311,761
Total expenses	20,720	2,776	—	23,496
Total grants	97,342	7,167	—	104,509
Excess of revenue over expenses and grants	182,413	1,343	—	183,756
Fund balances, beginning of year	630,387	22,009	—	652,396
Fund balances, end of year	812,800	23,352	—	836,152

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The aggregated balance sheet as at March 31, 2021 is as follows:

	TGWHF	TRIF	Adjustments	Total
	\$	\$	\$	\$
Cash and cash equivalents	101,442	504	—	101,946
Accounts receivable	284	33	—	317
Prepaid expenses	268	—	—	268
Due from University Health Network	37,550	—	15,887	53,437
Investments	677,551	24,207	—	701,758
Capital assets	157	—	—	157
Total assets	817,252	24,744	15,887	857,883
Due to University Health Network	—	672	15,887	16,559
Other liabilities	4,452	720	—	5,172
Total liabilities	4,452	1,392	15,887	21,731
Fund balances				
General Fund	1,104	(578)	—	526
Expendable Restricted Fund	501,496	13,914	—	515,410
Endowment Fund	310,200	10,016	—	320,216
Total liabilities and fund balances	817,252	24,744	15,887	857,883

The one adjustment noted above was to reallocate the amounts in total assets from TGWHF for the amounts due from University Health Network to align with the current year presentation.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, “Accounting Standards for Not-for-Profit Organizations,” which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

Fund accounting

The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided. For financial reporting purposes, the Foundation’s funds have been classified as follows:

- The General Fund comprises amounts available for immediate use for the general purposes of the Foundation as determined by the Board of Directors [the “Board”].
- The Expendable Restricted Fund comprises amounts that are to be used for specific purposes as specified by the donors, the Board or as stipulated by the fundraising appeal.
- The Endowment Fund comprises amounts to be maintained permanently as specified by the donors or the Board.

UHN Foundation

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[in thousands of dollars, unless otherwise indicated]

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Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions, which include grants, bequests and other donations. Grants and bequests are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received. Unrestricted contributions are recognized as revenue in the General Fund when initially recorded in the accounts. Externally restricted contributions, except endowment contributions, are recognized as revenue in the Expendable Restricted Fund when initially recorded in the accounts. Externally restricted endowment contributions are recognized as revenue in the Endowment Fund when initially recorded in the accounts.

Investment income (loss) consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses. Investment income earned on the Endowment Fund or Expendable Restricted Fund resources that must be spent on donor-restricted activities is recognized as revenue of the Expendable Restricted Fund. Investment income subject to donor restrictions stipulating that it be added to the endowment is recognized as revenue of the Endowment Fund. Unrestricted investment income earned on Endowment Fund, Expendable Restricted Fund and General Fund resources is recognized as revenue of the General Fund. Investment losses are allocated in a manner consistent with investment income.

The Foundation recognizes revenue for special events when earned.

Cash and cash equivalents

Cash and cash equivalents consist of cash deposits and short-term investments with an original term to maturity of less than 90 days. Cash and investments meeting the definition of cash and cash equivalents that are held for investing rather than liquidity purposes are classified as investments.

Financial instruments

Investments reported at fair value consist of equity instruments that are quoted in an active market as well as investments in pooled funds and any investments in fixed income securities that the Foundation designates upon purchase to be measured at fair value. Transaction costs are recognized in the statement of revenue, expenses and changes in fund balances in the period during which they are incurred.

Investments in fixed income securities not designated to be measured at fair value are initially recorded at fair value plus transaction costs and are subsequently measured at amortized cost using the straight-line method, less any provision for impairment.

All transactions are recorded on a trade date basis.

Other financial instruments, including cash and cash equivalents, accounts receivable, due to/from UHN and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at cost.

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March 31, 2022

Capital assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of contribution. Amortization is provided over the estimated useful lives of the assets at the following annual rates:

Furniture and equipment	20% declining balance
Computer equipment	30% – 50% declining balance
Leasehold improvements	Straight – line over 10 years

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not contribute to the Foundation's ability to provide goods and services. Any impairment results in a write-down of the asset and an expense in the statement of revenue, expenses and changes in fund balances. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

Grants

Grants are recognized when approved and the recipient has met all conditions.

Foreign currency translation

Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at the transaction date. The market values of investments and other monetary items denominated in foreign currencies are translated at the year-end rate. Translation gains and losses are recorded in the statement of revenue, expenses and changes in fund balances.

Contributed goods and services

Contributed goods transferred to UHN are recognized at their fair market value. Other donated goods and services are not recognized in these financial statements.

Allocation of expenses

A portion of the salaries and benefits of employees engaged in fundraising activities is allocated to the Expendable Restricted Fund based on time spent on fundraising programs focused on raising restricted funds. In addition, general fundraising and support expenses equal to a percentage of special events revenue are allocated to the Expendable Restricted Fund when the revenue is recorded in this fund.

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3. Investments

Investments consist of the following:

	2022 \$	2021 \$
		<i>[combined – note 1]</i>
Cash and term deposits	48,692	47,304
Fixed income		
Canada/provincial	205,589	218,082
Corporate	150,191	140,247
Pooled funds	15,177	11,464
	370,957	369,793
Equities		
Canadian	98,849	99,928
U.S.	89,577	90,298
Pooled funds	96,436	94,435
	284,862	284,661
	704,511	701,758

Investments in pooled funds have been allocated among the asset classes based on the underlying investments in the pooled funds.

The weighted average yield and average term to maturity for the fixed income securities are as follows:

	2022		2021	
	Weighted average yield	Average term to maturity	Weighted average yield	Average term to maturity
	%	[years]	%	[years]
	<i>[combined – note 1]</i>			
Cash and term deposits	0.96	0.39	0.36	0.23
Canada/provincial bonds	2.82	7.12	1.47	6.69
Corporate bonds	3.35	4.43	1.74	4.71

Investments are managed as two pools:

- [i] Investments related to the Endowment Fund are invested as follows: short-term investments – 1% [2021 – 1%]; equities – 63% [2021 – 64%]; and fixed income securities – 36% [2021 – 35%].
- [ii] Investments related to the Expendable Restricted Fund are invested primarily in fixed income securities, with the exception of \$113,032 [2021 – \$103,432], which was invested in securities with an investment mix consistent with the mix of investments held for the Endowment Fund.

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[in thousands of dollars, unless otherwise indicated]

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4. Capital assets

Capital assets consist of the following:

	2022		2021	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
	<i>[combined – note 1]</i>			
Furniture and equipment	480	352	458	329
Computer equipment	535	515	533	505
Leasehold improvements	715	—	—	—
	1,730	867	991	834
Less accumulated amortization	867		834	
Net book value	863		157	

5. Expendable Restricted Fund

The Expendable Restricted Fund balance represents the excess of amounts received with external restrictions over expenses for the following purposes, together with funds internally restricted by the Board:

	2022	2021
	\$	\$
	<i>[combined – note 1]</i>	
Externally restricted		
Research	315,840	314,710
Equipment, building and renovation	43,806	32,514
Education and other	204,530	130,226
	564,176	477,450
Internally restricted <i>[note 8[b]]</i>	30,360	37,960
	594,536	515,410

The internally restricted balance represents amounts set aside by the Board in a Stabilization Reserve available for operational needs.

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[in thousands of dollars, unless otherwise indicated]

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6. Endowment Fund

[a] Major categories of the Endowment Fund balance are as follows:

	2022	2021
	\$	\$
		<i>[combined – note 1]</i>
Funds externally restricted for endowment purposes		
Income from which must be used for a restricted purpose	284,170	269,223
Income from which is unrestricted	24,654	24,212
Externally restricted funds restricted for endowment purposes by the Board of Directors	17,920	21,855
Unrestricted funds restricted for endowment purposes by the Board of Directors	9,863	4,926
	336,607	320,216

[b] The Foundation has a policy designed to protect the real value of endowments by limiting the amount of investment income made available for spending and requiring the reinvestment of income not made available. In 2022 and 2021, the amount made available for spending is 3.5%, with the exception of two TRIF Chair funds that remain at 5.0%. The administration fee is 1.5%.

In any particular year, should net investment income be insufficient to fund the amount to be made available for spending or the return on investments is a net investment loss, the amount that is to be made available for spending is funded by the accumulated reinvested income. However, for individual endowment funds without sufficient accumulated reinvestment income, endowment capital is used in the current year. This amount is expected to be recovered by future net investment income.

The preservation of capital [i.e., any excess investment income earned above the payout rate] is recorded as revenue of the Endowment Fund for donor-designated funds. For Board-designated unrestricted funds, the preservation of capital is recorded as income of the General Fund and transferred to the Endowment Fund in the statement of revenue, expenses and changes in fund balances. For Board-designated restricted funds, the preservation of capital is recorded as income in the Expendable Restricted Fund and transferred to the Endowment Fund in the statement of revenue, expenses and changes in fund balances.

[c] In 2022, investment income of \$18,588 was earned on investments held for the Endowment Fund. An amount of \$3,832 was allocated for the preservation of capital. Of this amount, \$3,592 related to donor-designated funds was recorded as investment income in the Endowment Fund. Capital preservation of \$240 related to Board-designated funds was recorded as income in the General and Expendable Restricted Funds then transferred to the Endowment Fund [note 8[a]].

In 2022, \$9,949 made available for spending as calculated in accordance with the Foundation's Endowment Fund policy was recorded as investment income in the Expendable Restricted and General Funds. In addition, \$4,807 related to donor-designated and Board-designated funds was recorded as investment income in the General Fund for administration in accordance with the Board policy.

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[d] In 2021, investment income of \$65,054 was earned on investments held for the Endowment Fund. An amount of \$51,711 was allocated for the preservation of capital. Of this amount, \$47,218 related to donor designated funds was recorded as investment income in the Endowment Fund. Capital preservation of \$4,493 related to Board-designated funds was recorded as income in the General and Expendable Restricted Funds then transferred to the Endowment Fund [note 8[d]].

In 2021, \$9,534 made available for spending as calculated in accordance with the Foundation's Endowment Fund policy was recorded as investment income in the Expendable Restricted and General Funds. In addition, \$3,809 related to donor-designated and Board-designated funds was recorded as investment income in the General Fund for administration in accordance with the Board policy.

7. Investment income

Investment income earned on the Foundation's assets consists of the following:

	2022 \$	2021 \$
		<i>[combined – note 1]</i>
Interest and dividends	16,774	16,131
Realized gains	18,340	11,263
Net change in unrealized gains (losses) on investments	(16,669)	73,294
	<u>18,445</u>	100,688
Less investment management and custodial fees	1,802	1,642
	<u>16,643</u>	99,046

8. Interfund transfers

Transfers between funds consist of the following:

	2022		
	General Fund \$	Expendable Restricted Fund \$	Endowment Fund \$
[a] Allocation of investment income in accordance with Board policy [note 6[c]]	(271)	31	240
[b] Stabilization Reserve transfers [note 5]	7,600	(7,600)	—
[c] Other Board/donor-approved transfers	(88)	(674)	762
	<u>7,241</u>	<u>(8,243)</u>	<u>1,002</u>

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	2021		
	General Fund	Expendable Restricted Fund	Endowment Fund
	\$	\$	\$
	<i>[combined – note 1]</i>	<i>[combined – note 1]</i>	<i>[combined – note 1]</i>
[d] Allocation of investment income in accordance with Board policy <i>[note 6[d]]</i>	(859)	(3,634)	4,493
[e] Stabilization Reserve transfers <i>[note 5]</i>	(9,600)	9,600	—
[f] Other Board/donor-approved transfers	(3,131)	3,627	(496)
	(13,590)	9,593	3,997

9. Related party transactions

- [a] The Foundation, together with two other foundations affiliated with UHN, is responsible for fundraising activities carried out on behalf of UHN.
- [b] During the year, the Foundation funded the following projects carried out at UHN from the Expendable Restricted Fund:

	2022	2021
	\$	\$
		<i>[combined – note 1]</i>
Equipment, building and renovation	9,054	27,421
Research, education and patient care	96,022	75,189
	105,076	102,610

- [c] The Foundation reimbursed UHN for salaries and benefits of \$17,103 [2021 – \$17,396] recorded in fundraising and administrative expenses associated with UHN staff working at the Foundation. In addition, UHN charged the Foundation \$660 [2021 – \$558] for the use of office equipment and related technical support. UHN provides the Foundation with space and other administrative support at no cost.
- [d] The Foundation pays certain common expenses on behalf of other foundations affiliated with UHN and is reimbursed. The Foundation reimburses the other foundations affiliated with UHN for those common expenses incurred by them on the Foundation's behalf.
- [e] Amounts due to/from UHN are interest free and due on demand.
- [f] The Foundation received grants of \$1,780 USD [2021 – \$792 USD] from The American Friends of UHN, Inc., an affiliated United States tax-exempt charitable organization.
- [g] During the year ended March 31, 2022, UHN agreed to transfer \$ 64,257 [2021 – \$59,359] to the Foundation, which is recorded as revenue in the Expendable Restricted Fund. Included in this transfer is \$30,000 [2021 – \$30,000], for the establishment of a debenture retirement fund, to be invested for the retirement of the Hospital's debenture upon its maturity.

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10. Lottery

During the year, the Foundation operated a 50/50 Payday Raffle lottery under the Alcohol and Gaming Commission of Ontario license.

	2022 \$	2021 \$
		<i>[combined – note 1]</i>
Lottery funds revenue	675	595
Expenses	348	305
Net proceeds	327	290

Lottery funds raised have been used to support research projects at UHN.

The Foundation has been categorized as operating an Electronic 50/50 raffle, and as such does not require a standby letter of credit in connection with the lottery.

11. Allocation of expenses

General fundraising and support expenses of \$679 [2021 – \$12] have been included in fundraising and administrative expenses recorded in the Expendable Restricted Fund.

12. Financial instruments and risk management

The Foundation is exposed to various financial risks through transactions in financial instruments.

Currency risk

The Foundation is exposed to currency risk with respect to its investments denominated in foreign currencies, including the underlying investments of its pooled funds denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar. The Foundation mitigates this risk by monitoring the performance of the individual investments and by ensuring compliance by the investment manager with the set investment policies of the Foundation.

Credit risk

The Foundation is exposed to credit risk in connection with its fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. The Foundation mitigates this risk by monitoring the performance of the individual investments and by ensuring compliance by the investment manager with the set investment policies of the Foundation.

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Interest rate risk

The Foundation is exposed to interest rate risk with respect to its investments in fixed income securities and a pooled fund that holds fixed income securities because the fair value will fluctuate due to changes in market interest rates. The Foundation manages this risk by monitoring the performance of the individual investments and by ensuring compliance by the investment manager with the set investment policies of the Foundation.

Other price risk

The Foundation is exposed to other price risk through changes in market prices [other than changes arising from interest rate or currency risks] in connection with its investments in equity securities and pooled funds. The Foundation manages this risk through diversification as set out in its investment policies and by regularly monitoring the asset mix of the portfolio.