Linking good people

with good causes

Giftfunds Canada

Audited Financial Statements

Year Ended December 31, 2018

Data & Client Services Centre: 645 Gardiners Road, Suite 202, Kingston, Ontario K7M 8K2

Charitable Registration Number: 89671 3500 RR0001

CHARITABLE GIFT FUNDS CANADA FOUNDATION
Financial Statements

Year ended December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Directors of Charitable Gift Funds Canada Foundation

Opinion

We have audited the financial statements of Charitable Gift Funds Canada Foundation (the “Entity”), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations and changes in net assets 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 Entity as at December 31, 2018, 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 ***“Auditors' Responsibilities for the Audit of the Financial Statements”*** section of our auditors' 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 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.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

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 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.

Auditors' 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 auditors' 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.

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Entity'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

Kingston, Canada

May 28, 2019

CHARITABLE GIFT FUNDS CANADA FOUNDATION

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	Unrestricted Fund	Restricted Fund	Total 2018	Total 2017
Assets				
Current assets:				
Cash	$ 1,514,546	$ 12,288,989	$ 13,803,535	$ 17,407,529
Accounts receivable	121,457	149,262	270,719	224,795
Receivable from CGF funds	623,306	–	623,306	785,937
	2,259,309	12,438,251	14,697,560	18,418,261
Life insurance policies	–	2,859,769	2,859,769	2,559,737
Investments (note 2)	–	579,844,873	579,844,873	478,284,555
	$ 2,259,309	$ 595,142,893	$ 597,402,202	$ 499,262,553
Liabilities and Fund Balances				
Current liabilities:				
Accounts payable and accrued liabilities	$ 540,817	$ 1,570	$ 542,387	$ 515,933
Payable to operating fund	–	623,306	623,306	785,937
	540,817	624,876	1,165,693	1,301,870
Fund balances	1,718,492	594,518,017	596,236,509	497,960,683
	$ 2,259,309	$ 595,142,893	$ 597,402,202	$ 499,262,553

See accompanying notes to financial statements.

On behalf of the Board:

______________________________ Director

______________________________ Director

CHARITABLE GIFT FUNDS CANADA FOUNDATION
Statement of Operations and Changes in Fund Balances

Year ended December 31, 2018, with comparative information for 2017

	Unrestricted Fund	Restricted Fund	Total 2018	Total 2017
Revenue:				
Donations	$ –	$ 155,327,663	$ 155,327,663	$ 135,915,897
Bequests	–	22,742,369	22,742,369	193,736
Grants	–	4,800,944	4,800,944	3,530,369
Investment income	147,222	16,230,117	16,377,339	12,217,941
Net investment gains (losses)	–	(29,185,672)	(29,185,672)	16,951,948
	147,222	169,915,421	170,062,643	168,809,891
Expenses:				
Grants and disbursements	–	63,648,402	63,648,402	47,596,207
Administrative	2,743,384	7,714	2,751,098	2,348,772
Investment and custodial	–	3,307,625	3,307,625	2,631,184
Insurance premiums paid (note 3)	–	2,079,692	2,079,692	1,882,847
	2,743,384	69,043,433	71,786,817	54,459,010
Excess of revenue over expenses (expenses over revenue)	(2,596,162)	100,871,988	98,275,826	114,350,881
Fund balances, beginning of year	1,463,871	496,496,812	497,960,683	383,609,802
Interfund transfers	2,850,783	(2,850,783)	–	–
Fund balances, end of year	$ 1,718,492	$ 594,518,017	$ 596,236,509	$ 497,960,683

See accompanying notes to financial statements.

CHARITABLE GIFT FUNDS CANADA FOUNDATION

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	Unrestricted Fund	Restricted Fund	Total 2018	Total 2017
Cash provided by (used in):				
Operations:				
Excess of revenue over expenses (expenses over revenue)	$ (2,596,162)	$ 100,871,988	$ 98,275,826	$ 114,350,881
Change in non-cash operating working capital:				
Accounts receivable	(12,847)	(33,077)	(45,924)	(44,691)
Receivable from CGF funds	162,631	–	162,631	(244,234)
Prepaid expenses	–	–	–	6,417
Accounts payable and accrued liabilities	24,884	1,570	26,454	115,029
Payable to operating fund	–	(162,631)	(162,631)	244,234
	(2,421,494)	100,677,850	98,256,356	114,427,636
Investing:				
Purchases of investments	–	(101,560,318)	(101,560,318)	(114,742,695)
Increase in life insurance policies	–	(300,032)	(300,032)	(448,616)
	–	(101,860,350)	(101,860,350)	(115,191,311)
Other:				
Interfund transfers	2,850,783	(2,850,783)	–	–
Increase (decrease) in cash	429,289	(4,033,283)	(3,603,994)	(763,675)
Cash, beginning of year	1,085,257	16,322,272	17,407,529	18,171,204
Cash, end of year	$ 1,514,546	$ 12,288,989	$ 13,803,535	$ 17,407,529

See accompanying notes to financial statements.

Charitable Gift Funds Canada Foundation (the "Foundation") is an independent, non-profit organization registered as a public foundation under the Income Tax Act (Canada) (the "Act") and accordingly is exempt from income taxes provided certain requirements of the Act are met. The Foundation was incorporated without share capital under the Canada Corporations Act on February 17, 2003.

The objective of the Foundation is to increase philanthropy through the introduction and management of Charitable Gift Fund (CGF) programs. Charitable Gift Funds are segregated accounts managed by the Foundation that give certain advisory rights to donors. The Foundation offers two main CGF programs. The Classic program is a term endowment which is divided into a capital and expendable portion. The Flex program is designed to allow total flexibility for grant disbursements.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook – Accounting.

(a) Fund accounting:

The Foundation follows the Restricted Fund method of accounting for contributions.

(i) Restricted Fund:

All donations received by the Foundation are deposited into the CGF account specified by the donor. For financial reporting purposes the value of assets held within all CGF accounts is reported in the Restricted Fund, including the classic and flex programs.

(ii) Unrestricted Fund:

The Unrestricted Fund represents unrestricted resources available to support the operations of the Foundation.

(b) Revenue recognition:

Contributions are recognized as revenue of the appropriate fund as received.

(c) 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. The Foundation has elected to subsequently carry its investments at fair value.

1. Significant accounting policies (continued):

(c) Financial instruments (continued):

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

(d) Life insurance:

Life insurance represents the greater of either the fair market value of insurance policies at acquisition or the current cash surrender value of insurance policies held. The investment accounts within certain of these policies are included in the investments.

(e) Investment income:

Investment income, which is recorded on the accrual basis, includes interest, dividends and income distributions from pooled funds.

(f) Gains and losses on investments:

Gains and losses on investments include realized and unrealized gains and losses on investments, and are reported in the Restricted Fund.

(g) Interfund transfers:

The Foundation's management and administrative expenses are allocated on a sliding scale based on fund capital, to each CGF account. Investment expenses are charged directly to the individual CGF account. All fund expenses are recorded as charges to the Restricted Fund.

(h) Use of estimates:

The preparation of the 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 financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

2. Investments:

The primary investment objective for the assets held in the Restricted Fund is capital preservation, with a secondary objective of generating income to enhance the granting capacity of the Restricted Fund. The assets held in the Restricted Fund are invested in accordance with the prudent investors rule stipulated by the Ontario Trust Act.

3. Insurance premiums:

The Foundation is the owner and beneficiary of life insurance policies with a total insurance value of $111 million (2017 - $97.3 million). The insurance premiums paid represent the cost of insurance with respect to these policies.

4. Financial risks and concentration of risk:

The Foundation manages its investment portfolio to earn investment income and invests according to a Statement of Investment Policy approved by the Board. The Foundation is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

The Foundation believes that it is not exposed to significant interest-rate, currency, credit or cash flow risk arising from its financial instruments.

Additionally, the Foundation believes it is not exposed to significant liquidity risk as all investments are held in instruments that are highly liquid and can be disposed of to settle commitments.

Investments that trade in foreign markets are exposed to currency risk as the price in local terms on the foreign stock exchange is converted to Canadian dollars to determine fair value. The Foundation's overall currency positions are monitored regularly by the portfolio managers.

The Foundation's investment portfolio was significantly impacted by market prices in 2018 as the Foundation's investment portfolio experienced a net investment loss of $29,185,672 (2017 - net investment gain of $16,951,948).

There has been no change to the risk exposures from 2017.