

Financial Statements of

**CHARITABLE GIFT FUNDS
CANADA FOUNDATION**

Year ended December 31, 2022

CHARITABLE GIFT FUNDS CANADA FOUNDATION

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INDEPENDENT AUDITOR'S 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, 2022
- 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 Entity as at December 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 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.



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.

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.



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- 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 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'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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a long, horizontal, slightly wavy line.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

May 30, 2023

CHARITABLE GIFT FUNDS CANADA FOUNDATION

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	Unrestricted Fund	Restricted Fund	Total 2022	Total 2021
Assets				
Current assets:				
Cash	\$ 2,614,081	\$ 15,436,707	\$ 18,050,788	\$ 16,533,130
Accounts receivable	255,585	370,942	626,527	537,382
Receivable from restricted fund	1,637,898	—	1,637,898	1,506,566
Prepaid expenses	—	—	—	50,000
	4,507,564	15,807,649	20,315,213	18,627,078
Life insurance policies	—	5,943,173	5,943,173	5,292,541
Investments (note 2)	81,314	1,308,949,411	1,309,030,725	1,291,809,390
	\$ 4,588,878	\$1,330,700,233	\$1,335,289,111	\$1,315,729,009

Liabilities and Fund Balances

Current liabilities:				
Accounts payable and accrued liabilities	\$ 1,120,016	\$ 6,001	\$ 1,126,017	\$ 1,005,286
Payable to unrestricted fund	—	1,637,898	1,637,898	1,506,566
	1,120,016	1,643,899	2,763,915	2,511,852
Fund balances	3,468,862	1,329,056,334	1,332,525,196	1,313,217,157
	\$ 4,588,878	\$1,330,700,233	\$1,335,289,111	\$1,315,729,009

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, 2022, with comparative information for 2021

	Unrestricted Fund	Restricted Fund	Total 2022	Total 2021
Revenue:				
Donations	\$ 256,769	\$ 249,141,704	\$ 249,398,473	\$ 328,344,634
Bequests	–	31,394,028	31,394,028	30,812,699
Grants	–	9,572,625	9,572,625	24,678,449
Investment income	150,818	34,664,839	34,815,657	32,013,273
Net investment gains (losses)	5,397	(126,618,231)	(126,612,834)	99,548,798
	412,984	198,154,965	198,567,949	515,397,853
Expenses:				
Grants and disbursements	189,580	162,492,854	162,682,434	120,064,993
Administrative	5,570,296	342,404	5,912,700	4,667,700
Investment and custodial	–	8,340,502	8,340,502	7,020,359
Insurance premiums paid (note 3)	–	2,324,274	2,324,274	2,135,634
	5,759,876	173,500,034	179,259,910	133,888,686
Excess of revenue over expenses (expenses over revenue)	(5,346,892)	24,654,931	19,308,039	381,509,167
Fund balances, beginning of year	2,746,083	1,310,471,074	1,313,217,157	931,707,990
Interfund transfers	6,069,671	(6,069,671)	–	–
Fund balances, end of year	\$ 3,468,862	\$1,329,056,334	\$1,332,525,196	\$1,313,217,157

See accompanying notes to financial statements.

CHARITABLE GIFT FUNDS CANADA FOUNDATION

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	Unrestricted Fund	Restricted Fund	Total 2022	Total 2021
Cash provided by (used in):				
Operations:				
Excess of revenue over expenses (expenses over revenue)	\$ (5,346,892)	\$ 24,654,931	\$ 19,308,039	\$ 381,509,167
Change in non-cash operating working capital:				
Accounts receivable	(39,538)	(49,607)	(89,145)	(143,183)
Prepaid expenses	50,000	—	50,000	(50,000)
Receivable from restricted fund	(131,332)	—	(131,332)	(260,936)
Accounts payable and accrued liabilities	114,730	6,000	120,730	86,037
Payable to unrestricted fund	—	131,332	131,332	260,936
	(5,353,032)	24,742,656	19,389,624	381,402,021
Investing:				
Purchases of investments	(4,812)	(17,216,522)	(17,221,334)	(379,865,796)
Increase in life insurance policies	—	(650,632)	(650,632)	(948,496)
	(4,812)	(17,867,154)	(17,871,966)	(380,814,292)
Other:				
Interfund transfers	6,069,672	(6,069,672)	—	—
Increase in cash	711,828	805,830	1,517,658	587,729
Cash, beginning of year	1,902,253	14,630,877	16,533,130	15,945,401
Cash, end of year	\$ 2,614,081	\$ 15,436,707	\$ 18,050,788	\$ 16,533,130

See accompanying notes to financial statements.

CHARITABLE GIFT FUNDS CANADA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2022

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.

CHARITABLE GIFT FUNDS CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

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.

CHARITABLE GIFT FUNDS CANADA FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2022

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 \$130 million (2021 - \$126 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.

There has been no change to the risk exposures from 2021.