
Financial statements of
CHIMP: Charitable Impact Foundation (Canada)

July 31, 2020

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Independent Auditor's Report

To the Directors of
CHIMP: Charitable Impact Foundation (Canada)

Qualified Opinion

We have audited the financial statements of CHIMP: Charitable Impact Foundation (Canada) (the "Foundation"), which comprise the statement of financial position as at July 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at July 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

The Foundation's investments in unlisted securities in the statement of financial position are carried at the fair value at the time of donation less any subsequent impairment. We were unable to obtain sufficient appropriate audit evidence supporting the carrying amount of investments in certain unlisted securities with a total carrying value of \$193,037,460 as at July 31, 2020. Consequently, we were unable to determine whether any adjustments might be necessary to unlisted securities and net assets as at July 31, 2020, and excess of revenues over expenses for the year ended July 31, 2020.

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 qualified audit opinion.

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 GAAS 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 GAAS, 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.

The logo for Deloitte LLP, featuring the word "Deloitte" in a cursive script followed by "LLP" in a plain sans-serif font.

Chartered Professional Accountants
January 29, 2021
Vancouver, British Columbia

CHIMP: CHARITABLE IMPACT FOUNDATION (CANADA)

Statement of Operations

July 31, 2020

	2020	2019
	\$	\$
<u>Revenue</u>		
Donations of unlisted securities	80,606,250	59,368,000
Donations of cash	41,313,538	61,737,668
Donations of marketable securities	37,698,341	11,355,700
Donations of life insurance policies (note 4)	-	1,941,938
Interest and other investment income	2,736,508	1,952,164
Gain on revaluation of marketable securities	21,255,765	2,690,295
Gain on sale of land (note 6)	39,102	1,729,989
Total revenue	183,649,504	140,775,754
<u>Expenses</u>		
Disbursements to qualified donees	41,187,357	35,165,729
Technology and human resource services (note 9)	10,118,606	7,202,359
Investment management fees	463,356	475,543
Contractor fees	415,262	247,704
Bank, interest, and credit card processing fees	229,020	212,708
Insurance	226,557	2,738,176
Legal and professional	195,352	146,412
Office and administration	20,385	43,824
Property taxes	7,209	5,373
Total expenses	52,863,104	46,237,828
Excess of revenue over expenses	130,786,400	94,537,926

See accompanying notes to the financial statements

CHIMP: CHARITABLE IMPACT FOUNDATION (CANADA)

Statement of Financial Position

July 31, 2020

	2020 \$	2019 \$
ASSETS		
Current assets		
Cash (note 3)	37,847,833	24,842,558
Accounts receivable, net	545,693	207,693
Prepaid expenses	187,149	176,128
Mortgage receivable (note 7)	-	350,558
Marketable securities (note 5)	99,852,367	48,068,523
	<u>138,433,042</u>	<u>73,645,460</u>
Land (note 6)	214,525	338,425
Unlisted securities (note 5)	193,037,460	122,464,001
Mortgage receivable (note 7)	-	5,476,660
Life insurance - cash surrender value (note 4)	225,165	223,831
	<u>331,910,192</u>	<u>202,148,377</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	50,145	84,760
Due to related parties (note 9)	2,242	992,212
	<u>52,387</u>	<u>1,076,972</u>
Net assets		
Unrestricted funds	331,857,805	201,071,405
	<u>331,910,192</u>	<u>202,148,377</u>

See accompanying notes to the financial statements

Approved on behalf of the Board

 , Director

 , Director

CHIMP: CHARITABLE IMPACT FOUNDATION (CANADA)

Statement of Changes in Net Assets

July 31, 2020

	Unrestricted Fund \$	Total 2020 \$	Total 2019 \$
Balance, beginning of year	201,071,405	201,071,405	106,533,479
Revenue	183,649,504	183,649,504	140,775,754
Expenses	(52,863,104)	(52,863,104)	(46,237,828)
Excess of revenue over expenses	130,786,400	130,786,400	94,537,926
Balance, end of year	331,857,805	331,857,805	201,071,405

See accompanying notes to the financial statements

CHIMP: CHARITABLE IMPACT FOUNDATION (CANADA)

Statement of Cash Flows

July 31, 2020

	2020	2019
	\$	\$
Cash provided by (used in):		
<u>Net cash flow from operating activities</u>		
Excess of revenue over expenses	130,786,400	94,537,926
Adjustments to reconcile net cash		
Donations of insurance policies (note 4)	-	(1,941,938)
Donations of unlisted securities	(80,606,250)	(59,368,000)
Donations of marketable securities	(37,698,341)	(11,355,700)
Disbursements of gifts-in-kind	2,478,744	-
Gain on revaluation of marketable securities	(21,255,765)	(2,690,295)
Gain on sale of land (note 6)	(39,102)	(1,729,989)
Changes in non-cash working capital:		
Accounts receivable	(338,000)	136,626
Prepaid expenses	(11,021)	22,197
Accounts payable and accrued liabilities	(34,615)	(62,215)
Due to related party	(989,970)	662,573
<u>Net cash provided by (used in) operating activities</u>	<u>(7,707,920)</u>	<u>18,211,185</u>
<u>Cash flows from investing activities</u>		
Proceeds from (payments for) unlisted securities, net	9,600,072	(24,200,000)
Proceeds from (payments for) marketable securities, net	5,124,236	3,455,219
Proceeds from (payments for) land, net (note 6)	163,002	2,134,813
Proceeds from (payments for) insurance, net	(1,333)	1,917,201
Repayment of mortgage receivable (note 7)	5,827,218	337,958
<u>Net cash provided by (used in) investing activities</u>	<u>20,713,195</u>	<u>(16,354,809)</u>
Increase in cash	13,005,275	1,856,376
Cash, beginning of year	24,842,558	22,986,182
<u>Cash, end of year</u>	<u>37,847,833</u>	<u>24,842,558</u>

See accompanying notes to the financial statements

CHIMP: Charitable Impact Foundation (Canada)

Notes to the financial statements

July 31, 2020

1. Nature of organization

The CHIMP: Charitable Impact Foundation (Canada) was incorporated under the Canada Corporations Act on August 6, 2008, continued under the Canada Not-for-profit Corporations Act on November 9, 2012 and commenced operations on August 1, 2010. The Foundation is an independent, not-for-profit charitable corporation registered as a public foundation with the Canada Revenue Agency and is a registered charity under the Canadian Income Tax Act. The Foundation operates a donor advised fund through which an individual, company or group can set up their own online charitable giving account. At any time, account holders can request the funds in their accounts to be allocated to any qualified donee (including all registered charities, registered Canadian amateur athletic associations, municipalities, etc.). Disbursements to qualified donees as requested by donors are ultimately at the discretion of the Foundation.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following significant accounting policies.

(a) *Cash and cash equivalents*

Cash consists of cash on hand and short-term deposits with a term to maturity of 90 days or less at the date of purchase. Cash and cash equivalents held for investing rather than liquidity purposes are classified as securities.

(b) *Land*

Land is valued at the lower of cost and current replacement cost. Cost is determined based on fair value at the time of contribution.

(c) *Life insurance policies*

The Foundation is the beneficiary for various life insurance policies, including donated policies and policies purchased for investment. The Foundation recognizes revenue and corresponding expenses for donated policies at fair value at the time of the gift. Insurance premiums paid by donors to maintain the policies in good standing are recognized as revenue with a corresponding life insurance expense. The cash surrender value of life insurance policies is recorded as an asset. As the realizable amount in excess of the cash surrender is contingent on the death of the insured individual, the Foundation does not record the death benefits until collection is reasonably assured. The change in the aggregate cash surrender value, net of premiums paid, is recorded as life insurance expense.

(d) *Revenue recognition*

The Foundation follows the deferral method of accounting for contributions, which primarily includes donations, which are recognized upon receipt of funds from donors as they are unrestricted. Interest income is recognized in the period in which it is earned. Dividends are recognized when declared by the issuer of the related securities.

2. Significant accounting policies (continued)

(e) Securities

Securities are comprised of unlisted securities and marketable securities.

- (i) Investments in unlisted securities are measured at fair value on the date of donation, and are thereafter carried at this amount for equity instruments, and at amortized cost for debt instruments until such time as they are sold or become impaired.
- (ii) Investments in marketable securities are measured at fair value initially and thereafter at the statement of financial position date. The fair value of marketable securities is based on the latest closing price.

(f) Financial instruments

(i) Initial and subsequent measurement

The Foundation initially measures its financial assets and financial liabilities at fair value.

It subsequently measures marketable securities at fair value, unlisted securities that are equity instruments at cost less impairment, if any, private equity funds at fair value, and all other financial assets and financial liabilities at amortized cost. The financial liabilities measured at amortized cost include accrued liabilities and due to related party.

Changes in the fair value of financial instruments subsequently carried at fair value are recognized in income in the period incurred. Financial assets measured at amortized cost include cash and advances. Financial liabilities measured at amortized cost include accrued liabilities.

(ii) Fair Value of Financial Instruments

The Foundation has adopted the framework for measuring fair value that establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements).

The three levels of inputs that may be used to measure fair value are as follows:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date;
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data; and
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions that market participants would use in pricing an asset or liability. Valuation is generated from model-based techniques with the unobservable assumptions reflecting our own estimate of assumptions that market participants would use in pricing the asset or liability.

CHIMP: Charitable Impact Foundation (Canada)

Notes to the financial statements

July 31, 2020

2. Significant accounting policies (continued)

Cash, accounts receivable, other current assets, accounts payable and other accrued liabilities, are reflected in the Statement of Financial Position at their estimated fair values primarily due to their short-term nature. Estimated fair values for marketable securities are based on quoted prices, which represent level 1 inputs.

As to long-term assets, such as unlisted securities and land, fair value accounting has been applied to the initial valuation. The level of input for unlisted securities is determined by the assets held in the corporation issuing the shares, and may be either, or a combination of, a level 1, level 2, or level 3 input. For land, the fair value estimate is based on comparable properties, which is a level 2 input.

(iii) *Transaction costs, premiums and discounts*

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of operations as interest income or expense.

(iv) *Impairment*

For financial assets measured at cost or amortized cost, the Foundation determines whether there are indications of possible impairment. When there is an indication of impairment, and the Foundation determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in income. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss is reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in income.

(g) *Use of estimates*

The preparation of the financial statements of the Foundation in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, particularly, the fair value of unlisted securities at the donation date, and the assessment of impairment, if any, on financial assets carried at amortized cost, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

3. Cash

	2020	2019
	\$	\$
Operations	999,781	916,670
Donor advised funds	36,848,052	23,925,888
	37,847,833	24,842,558

CHIMP: Charitable Impact Foundation (Canada)

Notes to the financial statements

July 31, 2020

4. Life insurance policies

The aggregate cash surrender value of the Foundation's interest in life insurance policies is \$225,165 (2019 - \$223,831) as at July 31, 2020. During the fiscal year, the Foundation accepted donated policies and premiums with a fair value of \$0 (2019 - \$1,941,938) and paid acquisition costs and premiums of \$0 (2019 - \$819,140). The aggregate death benefit entitlement of the policies is \$14,236,156 at July 31, 2020 (2019 - \$14,236,156).

Subsequent to July 31, 2020, the Foundation purchased an interest in a life insurance policy for \$5,900,000 with a death benefit entitlement of \$10,836,200.

5. Securities

	Amortized Cost \$	Fair value \$	2020 Net book value \$	2019 Net book value \$
Cash - Investments	23,031,547	—	23,031,547	4,636,669
Marketable securities	—	75,648,828	75,648,828	43,431,854
Private equity funds	—	—	—	432,720
Unlisted securities	193,037,460	—	193,037,460	122,031,281
	216,069,007	75,648,828	291,717,835	170,532,524
Less current portion	23,031,547	75,648,828	98,680,375	48,068,523
	193,037,460	—	193,037,460	122,464,001

Marketable securities are comprised of donated securities and securities purchased from cash held in funds donated for the purpose of purchasing securities. Unlisted securities are comprised of donated and invested securities.

Cash – investments includes cash on hand and short-term deposits with a term to maturity of 90 days or less at the date of purchase held within the investment accounts for the purpose of investment.

Investment policy

In accordance with the Foundation's mission to support and increase charitable giving in Canada, the Board of Directors has an investment policy in place to protect the cash in the funds entrusted to the Foundation. Some funds hold securities with the purpose of achieving optimal returns for their fund consistent with prudent investment management.

The Foundation is subject to equity price risk (see Note 8 (c) for further information) pending the sale of securities, but this risk is contained in the individual fund. Funds are not permitted to trade on margin, or engage in any other trading activities which may impact the value of another fund or any other assets of the Foundation.

Upon disposition, the donor may request disbursement to respective qualified donees based on the net proceeds.

Subsequent to July 31, 2020, the Foundation invested \$6,200,000 in unlisted securities to purchase 6,200,000 preferred shares.

CHIMP: Charitable Impact Foundation (Canada)

Notes to the financial statements

July 31, 2020

6. Land

In fiscal 2020, the Foundation sold 2 properties (2019 - 4) classified as land to a third party for total proceeds of \$163,002 (net of legal fees and commissions of \$9,093) and realized a gain of \$39,102 (2019 - \$1,729,989).

7. Mortgages receivable

	2020	2019
	\$	\$
Mortgage receivable bearing interest at 4% compounded annually, payable in monthly instalments of \$48,080. Final payment is due on June 1, 2032	—	5,827,218
Less: current portion	—	350,558
	<u>—</u>	<u>5,476,660</u>

During the fiscal year ended July 31, 2020, the mortgage receivable was paid in full.

Subsequent to July 31, 2020, the Foundation entered into an agreement for a mortgage receivable in the amount of \$2,500,000, bearing interest at 3% compounded annually, payable in monthly instalments of \$17,265, with the final payment due on December 31, 2035.

8. Financial instrument risk

(a) Credit risk

Credit risk is the risk that a counterparty will fail to perform its obligations. The Foundation's exposure to credit risk is indicated by the carrying amounts of its cash and mortgages receivable. The Foundation's cash is kept with reputable Canadian chartered banks and credit unions.

(b) Interest rate risk

Interest rate risk arises when the Foundation invests in variable-rate and fixed-rate interest bearing financial instruments. Variable-rate instruments subject the Foundation to changes in cash flows and fixed-rate instruments subject the Foundation to the risk of changes in fair value. The objective of the Foundation's investment policy is to control interest rate risk by managing its interest rate exposure.

(c) Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate due to changes in market prices. The Foundation is exposed to equity price risk through its security holdings. The majority, by monetary value, of the Foundation's holdings of securities are unlisted and have a fixed redemption price. To mitigate the Foundation's equity price risk, disbursements from funds pertaining to securities are limited to the net proceeds on their disposition. As such, the price risk is contained to the individual fund.

CHIMP: Charitable Impact Foundation (Canada)

Notes to the financial statements

July 31, 2020

8. Financial instrument risk (continued)

(d) Liquidity risk

The Foundation's objective is to have sufficient liquidity to meet its liabilities when due. The Foundation monitors its cash balances and cash flows generated from operations to meet its requirements. As at July 31, 2020, the most significant financial liabilities are the accrued liabilities.

9. Related party transactions and balances

The Foundation's board of directors focuses extensively on strategy, governance, compliance and risk management and works with aligned third parties to optimize management of its operations. During the year, the Foundation acquired technology, human resource, and business services of \$10,118,606 (2019 - \$7,202,359) from CHIMP Technology Inc., a company in which an unpaid executive of the Foundation has an equity interest. All services were acquired in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed upon by the parties.

As at July 31, 2020, the Foundation's amount due to CHIMP Technology Inc. was \$2,242 (2019 - \$992,212).

Contractually, all agreements between the Foundation and CHIMP Technology Inc. do not permit or require the Foundation to pay CHIMP Technology Inc. for services with funds donated to or held in funds. Funds with the Foundation are protected from financial liability that could arise as a result of the Foundation's relationship with CHIMP Technology Inc.

10. Commitments

The Foundation is a beneficiary to a life insurance policy and is expected to pay annual premium payments of \$192,140 until 2023 totaling \$576,420.

11. COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of its impact on the economy and our business are not known at this time. The effects could include a potential future decrease in revenue, or an impairment to the value of our financial instruments.

As at July 31, 2020, the CHIMP: Charitable Impact Foundation (Canada) has not been impacted by the COVID-19 pandemic. The Foundation has not experienced a reduction in any of its major funding sources; however, the impact of the pandemic creates uncertainty over the realization future cash flows, with the potential for significant changes to the assets or liabilities and, therefore, may have a significant impact on future operations. An estimate of the financial impact is not practicable at this time. The Foundation continues to closely monitor the recommendations from public health agencies and government authorities and will adapt its business plans to reduce any adverse financial impact and continue operations.

12. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.