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people



**Audited Financial Statement
For the Year Ended December 31, 2017**

with
good causes

CHARITABLE GIFT FUNDS CANADA FOUNDATION
Financial Statements

Year ended December 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Directors of Charitable Gift Funds Canada Foundation

We have audited the accompanying financial statements of Charitable Gift Funds Canada Foundation, which comprise the statement of financial position as at December 31, 2017, the statements of operations and changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Charitable Gift Funds Canada Foundation as at December 31, 2017 and its results of operations, changes in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

May 29, 2018

CHARITABLE GIFT FUNDS CANADA FOUNDATION

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	Unrestricted Fund	Restricted Fund	Total 2017	Total 2016
Assets				
Current assets:				
Cash	\$ 1,085,258	\$ 16,322,271	\$ 17,407,529	\$ 18,171,204
Accounts receivable	108,609	116,186	224,795	180,104
Receivable from CGF funds	785,937	–	785,937	541,703
Prepaid expenses	–	–	–	6,417
	<u>1,979,804</u>	<u>16,438,457</u>	<u>18,418,261</u>	<u>18,899,428</u>
Life insurance policies	–	2,559,737	2,559,737	2,111,121
Investments (note 2)	–	478,284,555	478,284,555	363,541,860
	<u>\$ 1,979,804</u>	<u>\$ 497,282,749</u>	<u>\$ 499,262,553</u>	<u>\$ 384,552,409</u>

Liabilities and Fund Balances

Current liabilities:				
Accounts payable and accrued liabilities	\$ 515,933	\$ –	\$ 515,933	\$ 400,904
Payable to operating fund	–	785,937	785,937	541,703
	<u>515,933</u>	<u>785,937</u>	<u>1,301,870</u>	<u>942,607</u>
Fund balances	1,463,871	496,496,812	497,960,683	383,609,802
	<u>\$ 1,979,804</u>	<u>\$ 497,282,749</u>	<u>\$ 499,262,553</u>	<u>\$ 384,552,409</u>

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, 2017, with comparative information for 2016

	Unrestricted Fund	Restricted Fund	Total 2017	Total 2016
Revenue:				
Donations	\$ –	\$ 135,915,897	\$ 135,915,897	\$ 68,811,934
Bequests	–	193,736	193,736	4,471,314
Grants	–	3,530,369	3,530,369	1,010,012
Investment income	87,975	12,129,966	12,217,941	8,715,638
Net investment gains	–	16,951,948	16,951,948	17,391,674
	87,975	168,721,916	168,809,891	100,400,572
Expenses:				
Grants and disbursements	–	47,596,207	47,596,207	33,438,532
Administrative	2,346,024	2,748	2,348,772	1,822,736
Investment and custodial	–	2,631,184	2,631,184	2,143,400
Insurance premiums paid (note 3)	–	1,882,847	1,882,847	1,838,567
	2,346,024	52,112,986	54,459,010	39,243,235
Excess of revenue over expenses (expenses over revenue)	(2,258,049)	116,608,930	114,350,881	61,157,337
Fund balances, beginning of year	1,198,913	382,410,889	383,609,802	322,452,465
Interfund transfers	2,523,007	(2,523,007)	–	–
Fund balances, end of year	\$ 1,463,871	\$ 496,496,812	\$ 497,960,683	\$ 383,609,802

See accompanying notes to financial statements.

CHARITABLE GIFT FUNDS CANADA FOUNDATION

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	Unrestricted Fund	Restricted Fund	Total 2017	Total 2016
Cash provided by (used in):				
Operations:				
Excess of revenue over expenses (expenses over revenue)	\$ (2,258,049)	\$ 116,608,930	\$ 114,350,881	\$ 61,157,337
Change in non-cash operating working capital:				
Accounts receivable	(25,144)	(19,547)	(44,691)	(23,847)
Receivable from CGF funds	(244,234)	–	(244,234)	(66,932)
Prepaid expenses	6,417	–	6,417	–
Accounts payable and accrued liabilities	122,276	(7,247)	115,029	78,615
Payable to operating fund	–	244,234	244,234	66,932
	(2,398,734)	116,826,370	114,427,636	61,212,105
Investing:				
Purchases of investments	–	(114,742,695)	(114,742,695)	(65,443,324)
Increase in life insurance policies	–	(448,616)	(448,616)	(189,438)
	–	(115,191,311)	(115,191,311)	(65,632,762)
Other:				
Interfund transfers	2,523,007	(2,523,007)	–	–
Increase (decrease) in cash	124,273	(887,948)	(763,675)	(4,420,657)
Cash, beginning of year	960,984	17,210,220	18,171,204	22,591,861
Cash, end of year	\$ 1,085,257	\$ 16,322,272	\$ 17,407,529	\$ 18,171,204

See accompanying notes to financial statements.

CHARITABLE GIFT FUNDS CANADA FOUNDATION

Notes to Financial Statements

Year ended December 31, 2017

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, 2017

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, 2017

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 \$97.3 million (2016 - \$94.9 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, market, 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 2016.