



CHARITABLE **IMPACT**

Management's Discussion and Analysis

July 31, 2019

Company overview

The donor-advised fund

CHIMP: Charitable Impact Foundation (the “Foundation”) is a charity registered as a public foundation and operates as a donor-advised fund, which means people can manage their giving and support all their favourite charities from a single account. When people add money to their Impact Account, they are actually making a charitable donation to the Foundation, which is why they get an instant tax receipt. We keep the funds in an Impact Account for our donors until they make recommendations about sending charitable gifts to others, including charities, Giving Groups, or friends and family supporting charities through Charitable Impact.

Along with connections to a wider giving community and support from our team, an Impact Account can help people create the change they want to see in the world. The resources Charitable Impact provides can also help people rediscover how good it feels to give — and how powerful giving can be — when they do it in a more intentional and personally meaningful way.

By engaging donors in a new way of giving and providing them with the time and space to decide how they want to give, we bring more charitable capital into the sector.

SENDING MONEY TO REGISTERED CHARITIES

Once donors on Charitable Impact decide to recommend a charitable gift from their Impact Account, we seek to promptly disburse those funds to the charities benefiting from their gifts. We make weekly disbursements to ensure that charities can benefit from the funds as soon as possible. Disbursements are reviewed and approved by our Board of Directors in accordance with our Disbursements Approval Policy.

Because we bring the resources for creating change in the world to everyone — no matter who they give to, how much they give, or how experienced they are with charitable giving — the Foundation has no policies limiting the amount of money that a donor can recommend as a gift to a charity. As a result, disbursement amounts range from small to large.

Our donors

We're for anyone who wants to make a difference, no matter what charities they choose to support, how much they give, or how experienced they are with charitable giving. Our donor-advised fund gives donors the time and space to plan their impact and give when and how they want, to the charities of their choice.

People can give through Charitable Impact with or without an account. However, many people will choose to create an Impact Account, which is a free account for charitable giving. People can log in and add money to their Impact Account at any time. Then, with charitable dollars set aside, they can give to any active qualified donees on the list of charities maintained by the Canada Revenue Agency from their account right away, or save some of their dollars and build their potential impact over time. They can also give their charitable dollars to Giving Groups, or to friends and family on Charitable Impact for them to give away. In these ways, the Impact Account helps serve a donor's day-to-day giving.

In other instances, people will choose to donate larger amounts of cash or will want to donate non-cash assets such as publicly traded securities, private company shares, real estate, life insurance, or cryptocurrency. In these cases, we can help donors use the Charitable Investment Account, which allows for many different types of assets to be invested and managed. As invested donations grow, more funds become available to give away. The Charitable Impact team then works with donors and their advisors to help plan and carry out the management and liquidation of these assets for eventual disbursement. Long-term holdings are structured in a manner that ensures Charitable Impact is able to fulfill its disbursement quota.

In summary, the Impact Account and Charitable Investment Account complement each other. The Impact Account serves any person's day-to-day giving needs, while the Charitable Investment Account serves donors who want to utilize assets other than cash as part of their charitable giving strategy. By accepting donations in many forms, whether it is cash or non-cash assets, we build charitable capital and bring more funds into the charitable sector.

When it comes to facilitating non-cash donations and managing any ongoing investments administered by a Charitable Investment Account, Charitable Impact will work with many different financial advisors at many different firms. We seek to help financial advisors engage meaningfully with the charitable sector and service their clients' charitable intentions.

Our team is also here to help different types of organizations achieve their giving goals and work towards creating positive change. Private and public foundations can optimize the way they send gifts to other charities and leverage the Charitable Impact donor community for matching and other strategic outcomes. Some foundations wanting to reduce their administration costs transition their charitable capital to our donor-advised fund. Others start with us at Charitable Impact while they wait for their own charity to be registered by the Canada Revenue Agency, and then gift the money to their new charitable entity. Corporations also leverage Charitable Impact to simplify and amplify their giving while bolstering employee or customer engagement with their corporate social responsibility strategies and initiatives.

Donor gifts

Because we serve all donors in giving, no matter what charities they choose to support, how much they give, or how experienced they are with charitable giving, the Foundation accepts donations from a wide variety of asset classes. We regularly review our gift acceptance and gift administration processes and procedures with the goals of better serving donors while ensuring compliance with laws and regulations.

CASH

We manage cash to ensure it is available in Impact Accounts when our donors want to use it. As such, our Impact Account cash is held with major chartered banks. Using an Impact Account is free, but we do recover credit card transaction fees from donors who contribute with a credit card by deducting the fees from their donation (currently 2.8% of the transaction value).

PUBLICLY-TRADED SECURITIES

Donors can gift marketable securities to the Foundation while recommending that they remain managed by their current brokerage firm and financial advisor. We accept gifts of stocks, bonds, mutual funds, and other securities that can either be held or reinvested for future charitable growth, or be sold for cash that's deposited into the donor's Impact Account. Charitable Impact issues tax receipts for these donations based on the closing price of the security when we receive it.

PRIVATE COMPANY SHARES

Donating private company shares allows donors to give to charities they care about, even if their assets are held in private companies. Charitable Impact accepts donations of private company shares that can either remain in the donor's Charitable Investment Account for future charitable growth, or be sold for cash. The majority of the private company shares that are donated to the Foundation are preferred shares. We engage with independent third-party experts to provide advice, and where appropriate, offer formal opinions on the value of the proposed gift. We do regular impairment tests on all non-publicly traded assets.

LIFE INSURANCE

Charitable Impact accepts donations of owned and co-owned life insurance and we also consider making investments into insurance. Life insurance policies are valued and, where relevant, tax-receipted based on an actuarial assessment at the time of the donation or investment. The death benefit from life insurance allows donors to leave a legacy for specific charities of their choice, or for their loved ones to distribute in their honour.

REAL ESTATE

Donors can gift real estate and Charitable Impact will manage the property and prepare it for sale. We engage with independent third-party experts to provide advice, and where appropriate, formal opinions on the value of the proposed gift. We conduct regular impairment tests on all non-publicly traded assets.

CRYPTOCURRENCY

Donations of specific cryptocurrencies are accepted and tax receipted at fair market value at the time of the gift. Currently, Charitable Impact does not allow cryptocurrency to be held in Charitable Investment Accounts, so we convert donated cryptocurrency to Canadian dollars as quickly as possible, placing the proceeds into donors' Impact Accounts. Charitable Impact maintains appropriate controls over cryptocurrency, which includes maintaining a corporate account at Coinsquare, a Canadian cryptocurrency investment platform, through which cryptocurrency is sold and converted to Canadian dollars.

Strategy

Charitable Impact works with and for the donor, regardless of what charities they support, how much they give or how much experience they have with charitable giving. At Charitable Impact, it's your giving, your way, with our support.

Our primary purpose is to engage people with charitable giving as a way to create the change they want to see in the world. We work with people from all across Canada, although we are best known in and around Vancouver where we are headquartered. It's important to us to make giving as accessible, confidence-inducing, and as cost-effective as possible for all Canadians. We want to increase the number of donors that leverage our resources, and we believe that the donor-advised fund is an important tool in the journey to empower all people to give regularly and with confidence. We will expand and refine the functionality of our platform to meet the needs and wants of the engaged donor.

We discover and interact with donors primarily through the following intermediary organization and program types:

FINANCIAL ADVISORS

Charitable Impact wants giving to be an integral part of everyone's financial planning. We are working alongside financial advisors to make it easy for them to offer charitable solutions to their clients. Working with financial advisors allows us to expand our outreach and educate the public about the benefits of giving in the context of financial planning.

CORPORATIONS

Charitable Impact works with corporations to provide opportunities for their employees to direct their giving to the charities they care about. Likewise, we work with corporations to develop and execute giving initiatives that matter most to their customers. We plan to expand our offerings in this area to further facilitate and grow the giving capacity of people as they work and consume goods in the economy.

YOUTH PROGRAMS

It's important for future generations to be able to learn about and experience giving from a young age. Our Charitable Allowance programs invite youth to experience charity by giving them a small and regular "allowance" to give away. Our school program, for example, raises money from donors and then provides youth in schools with a monthly allowance of \$10 in their Impact Account. The students then choose the charities they want to help with this money, which encourages them to think about the charities they care most about and decide which specific charities to support. We continue to build relationships with donors and youth-centered organizations for this opportunity to be provided to more youth.

Research and development

Research is a key component of our approach and business strategy. Through our research, we can enhance our understanding of why people give and how they want to give. Our research initiatives guide our interactions with donors and inform the development of tools and services that foster more intentional and joyful giving.

We have several research partners at universities that include Harvard Business School, Simon Fraser University, the University of Toronto, the University of the Fraser Valley, and the University of Chicago with whom we are conducting behavioural studies. This research has primarily been related to our Charitable Allowance programs. The studies tell us that children and parents participating in these programs are strongly driven by a desire to make an impact, and that they're motivated by empathy for others.

Pursue selective strategic relationships

We intend to grow our market presence through the development of strategic relationships with companies and organizations that are seeking ways to engage with donors and foster giving in their communities. We plan to build upon newly established relationships and seek opportunities that will promote our purpose to help people create change in the world. We plan to focus on relationships that not only create more donation revenue but also develop an increased number of people into confident and effective donors.

Security and privacy

We are continually improving our cyber defence and resilience by investing in our people, processes, and technologies to protect our systems and enhance the experience of donors using Charitable Impact.

We apply the latest security best practices to our online systems. We encrypt our donor's information to protect it from potential security threats, donations are processed by a leading third-party payment processor, and we have protocols in place to test our systems for potential security vulnerabilities.

We take additional steps to protect sensitive personal and financial information by limiting access to this data.

As we keep growing our platform, managing our technology and cybersecurity risk will continue to be a priority.

The Charitable Impact Collective

Charitable Impact operates as a collective of independent organizations aligned by purpose, vision, and mission.

The Charitable Impact Collective currently includes CHIMP: Charitable Impact Foundation (Canada), a registered charity operating as a donor-advised fund, and CHIMP Technology, a for-profit social enterprise that designs and delivers technology and other services to operate donor-centered giving strategies in the charitable space.

The Foundation is governed by a board of directors with a primary focus on governance, policies, processes, and controls associated with the assets donated, administered, and disbursed. All day-to-day operational work (including donor support, gift administration, marketing, business development, research, technology services, etc.) is outsourced to CHIMP Technology. By outsourcing, the Foundation does not have to retain or manage employees. Since inception, CHIMP Technology has spent all of the revenue it has earned in pursuit of advancing the Foundation's goals. To achieve this, CHIMP Technology has engaged as many as 80 employees and contractors at one time, all of whom are paid fair industry standard compensation. The Foundation retains its own professional advisors, including lawyers, asset valuers, and accountants.

The relationship between the Foundation and CHIMP Technology is governed by a service provider agreement that is negotiated, reviewed regularly, and disclosed in agreements with donors and in financial statements. The agreement expressly forbids the Foundation from using money in donor accounts to pay CHIMP Technology for its services and products.

The Foundation manages funds reserved for administrative expenses separately from funds received from donors. Funds received from donors are not used to pay administrative expenses. Administrative expenses are paid with funds generated from interest revenue, fees charged on Charitable Investment Accounts, and donations from donors choosing to support the Foundation's goals.

Board governance

The Board has ultimate accountability and authority as the official governance body of CHIMP: Charitable Impact Foundation (Canada) and acts as a governor and steward of the goals donors want to achieve.

As a public foundation, our volunteer Board is made up of experienced directors who are independent and not related to any person working within the Collective. They are guided by a set of good governance principles and receive independent advice on material matters.

Our Board has quarterly meetings and holds regularly scheduled calls to manage and ensure effective communication regarding governance, policies, processes, and controls across the wide variety of assets and types of donations we receive.

Two new Board directors joined the Board in June 2019. As the Board of Directors grows and develops, its policies, procedures, and controls continue to strengthen as well.

BOARD OF DIRECTORS

Fiscal Year 2019

August 1, 2018 to
July 31, 2019

Robert Booker

Michael Cahén

Larry Clausen

Lynn Cook

Ingrid Robinson

Results of operations

Revenues

For the fiscal year ended July 31, 2019, revenue was \$140,775,754 compared to \$182,013,413 for the year ended July 31, 2018, a decrease of \$(41,237,659), or (23%). The decrease is primarily attributable to a decrease in cash donations. During the fiscal year ended July 31, 2018, the Foundation received a large and non-recurring cash donation of approximately \$74,500,000. Revenue consists of donations both in the form of cash and non-cash contributions.

The following table summarizes the total revenues for the fiscal years ended July 31, 2019 and 2018:

	Year Ended July 31			
	2019	2018	\$ Change	% Change
Donations of cash	61,737,668	129,299,430	(67,561,762)	(52%)
Donations of private securities	59,368,000	27,478,438	31,889,562	116%
Donations of publicly-traded securities	11,355,700	18,899,827	(7,544,127)	(40%)
Gain on revaluation of publicly-traded securities	2,690,295	–	2,690,295	
Interest and other investment income	1,952,164	1,834,653	117,511	6%
Donations of insurance policies	1,941,938	104,175	1,837,763	1,764%
Gain on sale of land	1,729,989	1,189,233	540,756	45%
Donations of cryptocurrency	–	2,291,706	(2,291,706)	(100%)
Gain on sale of cryptocurrency	–	634,670	(634,670)	(100%)
Donations of mortgage loans	–	281,281	(281,281)	(100%)
Total revenue	140,775,754	182,013,411	(41,237,657)	(23%)

DONATIONS OF CASH

Consist of contributions from donors in the form of cash, cheque, or credit card payment. Donations of cash decreased to \$61,737,668 for the fiscal year ended July 31, 2019, from \$129,299,430 for the fiscal year ended July 31, 2018, representing a decrease of \$(67,561,762), or (52%). The decrease is primarily attributable to a large and non-recurring cash donation of approximately \$74,500,000 in the prior fiscal year used to facilitate a transaction in which a registered charity received donations to restructure and reduce its debt.

DONATIONS OF PRIVATE SECURITIES

Consist of contributions from donors in the form of securities that have no public market through which the securities may be bought or sold. Donations of private securities increased to \$59,368,000 for the fiscal year ended July 31, 2019, from \$27,478,438 for the fiscal year ended July 31, 2018, representing an increase of \$31,889,562, or 116%. The increase is primarily attributable to a donation of \$43,000,000 in private securities.

DONATIONS OF PUBLICLY-TRADED SECURITIES

Consist of contributions from donors in the form of marketable securities that are traded on a public stock exchange. Donations of publicly-traded securities decreased to \$11,355,700 for the fiscal year ended July 31, 2019, from \$18,899,827 for the fiscal year ended July 31, 2018, representing a decrease of \$(7,544,127), or (40%). The decrease is primarily attributable to a few large and non-recurring donations totalling over \$10,000,000 in the prior fiscal year.

GAIN ON REVALUATION OF PUBLICLY-TRADED SECURITIES

Consists of a gain in the fair market value of publicly-traded securities held for sale. The gain on revaluation of publicly-traded securities was \$2,690,295 for the fiscal year ended July 31, 2019 compared to a loss in the fair market value of publicly-traded securities held for sale of (\$312,473) for the fiscal year ended July 31, 2018, representing an increase of \$3,002,768, or 961%. The increase is primarily attributable to market performance.

INTEREST AND OTHER INVESTMENT INCOME

Consist of interest received on cash held in interest-bearing accounts. Interest and other investment income increased to \$1,952,164 for the fiscal year ended July 31, 2019, from \$1,834,653 for the fiscal year ended July 31, 2018, representing an increase of \$117,511, or 6%. The increase is primarily attributable to additional cash being held at banking and investment institutions.

DONATIONS OF INSURANCE POLICIES

Consist of contributions from donors for the Foundation to either own, co-own, or be a beneficiary of a life insurance policy. Donations of insurance policies increased to \$1,941,938 for the fiscal year ended July 31, 2019 from \$104,175 for the fiscal year ended July 31, 2018, representing an increase of \$1,837,763. The increase is primarily attributable to a donation of co-owned life insurance with a fair market value of \$1,900,000.

GAIN ON SALE OF LAND

Consists of cash received upon the sale of land where the price of the land sold was greater than the donated value of the property. The gain on the sale of land increased to \$1,729,989 for the fiscal year ended July 31, 2019 from \$1,189,233 for the fiscal year ended July 31, 2018, representing an increase of \$540,756, or 45%. The increase is primarily attributable to the sale of four properties.

Expenses

For the fiscal year ended July 31, 2019, expenses were \$46,237,828 compared to \$145,284,475 for the fiscal year ended July 31, 2018, representing a decrease of \$(99,046,647), or (68%). The decrease was primarily related to a decrease in disbursements to charities due to two large and non-recurring disbursements made in 2018, as well as a decrease in technology and human resource services. Expenses consist of disbursements to charities, technology and human resource services, insurance, investment management fees, bank and credit card fees, interest expense, contractor fees, legal and professional fees, office and administrative expenses, property taxes, and amortization.

The following table summarizes the total expenses for the fiscal years ended July 31, 2019 and 2018:

	Year Ended July 31			
	2019	2018	\$ Change	% Change
Disbursements to charities	35,165,729	130,874,268	(95,708,539)	(73%)
Technology and human services	7,202,359	12,773,997	(5,571,638)	(44%)
Insurance	2,738,176	524,189	2,213,987	422%
Investment management fees	475,543	267,390	208,153	78%
Contractor fees	247,704	142,615	105,089	74%
Bank, interest, and credit card processing charges	212,708	181,442	31,266	17%
Legal and professional	146,412	174,633	(28,211)	(16%)
Office and administration	43,824	21,075	22,749	108%
Property taxes	5,373	12,006	(6,633)	(55%)
Loss on revaluation of publicly-traded securities	–	312,473	(312,473)	(100%)
Amortization	–	387	(387)	(100%)
Total expenses	46,237,828	145,284,475	(99,046,648)	(68%)

DISBURSEMENTS TO CHARITIES

Consist of funds distributed to qualified donees. Disbursements to charities decreased to \$35,165,729 for the fiscal year ended July 31, 2019 from \$130,874,268 for the fiscal year ended July 31, 2018, representing a decrease of \$(95,708,539), or (73%). The decrease is primarily attributable to two large and non-recurring disbursements during the fiscal year ended July 31, 2018. One disbursement of approximately \$74,500,000 to facilitate transactions in which a registered charity received donations to restructure and reduce its debt. The second of approximately \$19,000,000 was in the form of a mortgage receivable. This disbursement of the mortgage receivable allowed the Charitable Investment Account donor to utilize legal remedies to enforce the agreement.

TECHNOLOGY AND HUMAN RESOURCE SERVICES

Consist of service fees paid to the developer and provider of our technology, administrative, and other services through which we develop, maintain, and manage the donations that we receive and the disbursements that we pay. The technology and human resource service fees decreased to \$7,202,359 for the fiscal year ended July 31, 2019 from \$12,773,997 for the fiscal year ended July 31, 2018, representing a decrease of \$(5,571,638), or (44%). The decrease is primarily attributable to the nature of the Service Provider Agreement, which provides for a calculated amount to be paid by the Foundation to CHIMP Technology for technology and human resource services delivered.

INSURANCE

Consists of premiums paid for the maintenance of insurance policies held by the Foundation. Insurance costs increased to \$2,738,176 for the fiscal year ended July 31, 2019 from \$524,189 for the fiscal year ended July 31, 2018, representing an increase of \$2,213,987, or 422%. The increase is primarily attributable to the payment of life insurance premiums for co-owned insurance policies.

INVESTMENT MANAGEMENT FEES

Consist of fees paid to advisors who manage our portfolio of securities. The investment management fees increased to \$475,543 for the fiscal year ended July 31, 2019 from \$267,390 for the fiscal year ended July 31, 2018, representing an increase of \$208,153, or 78%. The increase is primarily attributable to an increase in our portfolio of marketable securities.

CONTRACTOR FEES

Consist of marketing, administrative and management fees paid under consulting agreements. Contractor fees increased to \$247,704 for the fiscal year ended July 31, 2019 from \$142,615 for the fiscal year ended July 31, 2018, representing an increase of \$105,089, or 74%. The increase is primarily attributable to additional bookkeeping services required to support the growth in the number of brokerage accounts held by the Foundation and costs incurred in the search for new board directors.

OFFICE AND ADMINISTRATION

Consists of general operational costs of our business. Office and administration costs increased to \$43,824 for the fiscal year ended July 31, 2019 from \$21,075 for the fiscal year ended July 31, 2018, representing an increase of \$22,749, or 108%. The increase is primarily attributable to additional costs for systems and tools to enhance our compliance processes.

Liquidity & capital resources

As of July 31, 2019, the Foundation had \$73,645,460 in current assets, consisting of \$24,842,558 in cash, \$207,693 in amounts recoverable from government authorities, \$176,128 in prepaid expenses, \$350,558 in mortgages receivable, and \$48,068,523 in publicly-traded securities. We had total current liabilities of \$1,076,972, consisting of accrued liabilities of \$84,760, and due to related parties of \$992,212. Net cash provided by operating activities for the year ended July 31, 2019, was \$20,937,526, while the excess of revenues over expenditures was \$94,537,926 for the same period. The difference arises primarily from non-cash transactions comprised of donations of unlisted securities of \$59,368,000, donations of marketable securities of \$11,355,700, donations of insurance policies of \$1,941,938, and changes in working capital of \$759,181.

The table below sets forth certain information about the Foundation's liquidity and capital resources for the fiscal year ended July 31, 2019 and 2018:

	For the Fiscal Year Ended	
	July 31, 2019	July 31, 2018
Net cash provided by operating activities	\$20,937,526	\$6,524,970
Net cash provided by (used in) investing activities	\$(19,081,150)	\$6,860,985
Net increase in cash	\$1,856,376	\$13,385,955
Cash, beginning of year	\$22,986,182	\$9,600,227
Cash, end of year	\$24,842,558	\$22,986,182

Governing laws

The Foundation's operations are governed by the Income Tax Act and the Canada Not-for-Profit Corporations Act. The Income Tax Act defines the financial administration with which the Foundation must comply, and the Canada Not-for-Profit Corporations Act enumerates corporate compliance requirements to which the organization must adhere.

Defined within the Income Tax Act is the disbursement quota that governs the minimum amount that a charity must disburse each year. Each year the Foundation reviews its disbursements to ensure it is in compliance with the quota.

The Foundation has expended substantial resources, both financial and managerial, to comply with applicable laws designed to protect its stakeholders. The Foundation maintains procedures, processes, and controls designed to foster and ensure compliance, which are reviewed periodically in conjunction with independent professional advisors. However, the Foundation may become the subject of formal or informal enforcement actions or proceedings regarding noncompliance with such laws. Such matters typically are resolved by negotiation with regulatory authorities resulting in formal education, commitments to compliance, and in some cases, implementation of penalties. There are currently no such actions, negotiations, commitments, education or penalties in progress with the Foundation.