



CHARITABLE IMPACT

# Financial statements of **CHIMP: Charitable Impact Foundation (Canada)**

July 31, 2019

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## Independent Auditor's Report

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

### 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, 2019, and the statements of operations and 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at July 31, 2019, 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 Opinion

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 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.

*Deloitte LLP*

Chartered Professional Accountants  
January 31, 2020  
Vancouver, British Columbia

# CHIMP: Charitable Impact Foundation (Canada)

## Statement of operations

Year ended July 31, 2019

| Revenue                                      | Notes | 2019 \$            | 2018 \$     |
|----------------------------------------------|-------|--------------------|-------------|
| Donations of cash                            |       | <b>61,737,668</b>  | 129,299,430 |
| Donations of unlisted securities             |       | <b>59,368,000</b>  | 27,478,438  |
| Donations of marketable securities           |       | <b>11,355,700</b>  | 18,899,827  |
| Gain on revaluation of marketable securities |       | <b>2,690,295</b>   | –           |
| Interest and other investment income         |       | <b>1,952,164</b>   | 1,834,653   |
| Donations of insurance policies              | 4     | <b>1,941,938</b>   | 104,175     |
| Gain on sale of land                         | 7     | <b>1,729,989</b>   | 1,189,233   |
| Donations of cryptocurrency                  | 5     | –                  | 2,291,706   |
| Gain on sale of cryptocurrency               | 5     | –                  | 634,670     |
| Donations of mortgage loans                  |       | –                  | 281,281     |
|                                              |       | <b>140,775,754</b> | 182,013,413 |

## Expenses

|                                                   |    |                   |             |
|---------------------------------------------------|----|-------------------|-------------|
| Disbursements to qualified donees                 |    | <b>35,165,729</b> | 130,874,268 |
| Technology and human resource services            | 10 | <b>7,202,359</b>  | 12,773,997  |
| Insurance                                         | 4  | <b>2,738,176</b>  | 524,189     |
| Investment management fees                        |    | <b>475,543</b>    | 267,390     |
| Contractor fees                                   |    | <b>247,704</b>    | 142,615     |
| Bank, interest and credit card processing charges |    | <b>212,708</b>    | 181,442     |
| Legal and professional                            |    | <b>146,412</b>    | 174,633     |
| Office and administration                         |    | <b>43,824</b>     | 21,075      |
| Property taxes                                    |    | <b>5,373</b>      | 12,006      |
| Loss on revaluation of marketable securities      |    | –                 | 312,473     |
| Amortization                                      |    | –                 | 387         |
|                                                   |    | <b>46,237,828</b> | 145,284,475 |

## Excess of revenues over expenses

|  |  |                   |            |
|--|--|-------------------|------------|
|  |  | <b>94,537,926</b> | 36,728,938 |
|--|--|-------------------|------------|

The accompanying notes are an integral part of the financial statements

# CHIMP: Charitable Impact Foundation (Canada)

## Statement of financial position

As at July 31, 2019

| Assets                                          | Notes | 2019 \$     | 2018 \$     |
|-------------------------------------------------|-------|-------------|-------------|
| Current assets:                                 |       |             |             |
| Cash                                            | 3     | 24,842,558  | 22,986,182  |
| Amounts recoverable from government authorities |       | 207,693     | 344,319     |
| Prepaid expenses                                |       | 176,128     | 198,325     |
| Current portion of mortgage receivable          | 8     | 350,558     | 337,958     |
| Securities                                      | 6     | 48,068,523  | 37,475,468  |
|                                                 |       | 73,645,460  | 61,342,252  |
| Land                                            | 7     | 338,425     | 743,249     |
| Securities                                      | 6     | 122,464,001 | 38,898,281  |
| Mortgage receivable                             | 8     | 5,476,660   | 5,827,218   |
| Cash surrender value of life insurance policies | 4     | 223,831     | 199,094     |
|                                                 |       | 202,148,377 | 107,010,095 |

## Liabilities

|                      |    |           |         |
|----------------------|----|-----------|---------|
| Current liabilities: |    |           |         |
| Accrued liabilities  |    | 84,760    | 146,977 |
| Due to related party | 10 | 992,212   | 329,639 |
|                      |    | 1,076,972 | 476,616 |

## Net assets

|                   |         |             |             |
|-------------------|---------|-------------|-------------|
|                   |         | 201,071,405 | 106,533,479 |
|                   |         | 202,148,377 | 107,010,095 |
| Subsequent events | 6 and 7 |             |             |
| Commitments       | 11      |             |             |

The accompanying notes are an integral part of the financial statements

Approved on behalf of the Board



Director



Director

## CHIMP: Charitable Impact Foundation (Canada)

### Statement of changes in net assets

Year ended July 31, 2019

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|                                      | Unrestricted \$    | 2019 Total \$      | 2018 Total \$ |
|--------------------------------------|--------------------|--------------------|---------------|
| Balance, beginning of the year:      | <b>106,533,479</b> | <b>106,533,479</b> | 69,804,544    |
| Excess of revenues over expenditures | <b>94,537,926</b>  | <b>94,537,926</b>  | 36,728,935    |
| Balance, end of the year             | <b>201,071,405</b> | <b>201,071,405</b> | 106,533,479   |

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The accompanying notes are an integral part of the financial statements

# CHIMP: Charitable Impact Foundation (Canada)

## Statement of cash flows

Year ended July 31, 2019

| Operating activities                                     | Notes | 2019 \$             | 2018 \$      |
|----------------------------------------------------------|-------|---------------------|--------------|
| Excess of revenues over expenditures for the year        |       | <b>94,537,926</b>   | 36,728,938   |
| Items not involving cash:                                |       |                     |              |
| Donations of insurance policies                          | 4     | <b>(1,941,938)</b>  | (104,175)    |
| Donations of unlisted securities                         |       | <b>(59,368,000)</b> | (27,478,438) |
| Donations of marketable securities                       |       | <b>(11,355,700)</b> | (18,899,827) |
| (Gain)/loss on revaluation of marketable securities      | 6     | <b>(2,690,295)</b>  | 312,473      |
| Net change in cash surrender value of insurance policies |       | <b>2,726,341</b>    | 490,461      |
| Gain on sale of land                                     | 7     | <b>(1,729,989)</b>  | (1,189,233)  |
| Transfer of mortgage receivable                          |       | –                   | 20,065,241   |
| Gain on sale of cryptocurrency                           |       | –                   | (634,670)    |
| Amortization                                             |       | –                   | 387          |
| Donations of mortgage                                    |       | –                   | (281,281)    |
| Donations of cryptocurrency                              |       | –                   | (2,291,706)  |
|                                                          |       | <b>20,178,345</b>   | 6,718,170    |
| Changes in non-cash working capital balances:            |       |                     |              |
| Amounts recoverable from government authorities          |       | <b>136,626</b>      | (316,013)    |
| Accrued liabilities                                      |       | <b>(62,215)</b>     | 65,983       |
| Prepaid expenses                                         |       | <b>22,197</b>       | (166,630)    |
| Due to related party                                     | 10    | <b>662,573</b>      | 223,460      |
|                                                          |       | <b>20,937,526</b>   | 6,524,970    |

# CHIMP: Charitable Impact Foundation (Canada)

## Statement of cash flows

Year ended July 31, 2019

| Investing activities                                                 | Notes | 2019 \$           | 2018 \$           |
|----------------------------------------------------------------------|-------|-------------------|-------------------|
| Purchase of unlisted securities                                      |       | (25,200,000)      | –                 |
| Proceeds on redemption of unlisted securities                        |       | 1,000,000         | –                 |
| Proceeds from disposition of marketable securities, net of purchases | 6     | 3,455,219         | 1,861,182         |
| Proceeds on sale of land                                             | 7     | 2,134,813         | 2,039,650         |
| Payment of life insurance premiums                                   | 4     | (819,140)         | (510,561)         |
| Proceeds from disposition of life insurance                          |       | 10,000            | –                 |
| Repayment of mortgage receivable                                     | 8     | 337,958           | 308,450           |
| Proceeds from sale of cryptocurrency                                 |       | –                 | 2,926,377         |
| Proceeds from mortgage receivable                                    |       | –                 | 281,281           |
| Additions to land                                                    |       | –                 | (45,394)          |
|                                                                      |       | (19,081,150)      | 6,860,985         |
| Increase in cash during the year                                     |       | 1,856,376         | 13,385,955        |
| Cash, beginning of year                                              |       | 22,986,182        | 9,600,227         |
| <b>Cash, end of year</b>                                             |       | <b>24,842,558</b> | <b>22,986,182</b> |

The accompanying notes are an integral part of the financial statements

# CHIMP: Charitable Impact Foundation (Canada)

## Notes to the financial statements

July 31, 2019

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### 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.

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### 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.

# CHIMP: Charitable Impact Foundation (Canada)

Notes to the financial statements

July 31, 2019

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## 2. Significant accounting policies (continued)

### 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. Interest income is recognized in the period in which it is earned. Dividends are recognized when declared by the issuer of the related securities.

### 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

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.

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.

# CHIMP: Charitable Impact Foundation (Canada)

Notes to the financial statements

July 31, 2019

## 2. Significant accounting policies (continued)

### 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

|                     | 2019 \$           | 2018 \$    |
|---------------------|-------------------|------------|
| Operations          | <b>916,670</b>    | 589,397    |
| Donor advised funds | <b>23,925,888</b> | 22,396,785 |
|                     | <b>24,842,558</b> | 22,986,182 |

## CHIMP: Charitable Impact Foundation (Canada)

### Notes to the financial statements

July 31, 2019

#### 4. Life insurance policies

The aggregate cash surrender value of the Foundation's interest in life insurance policies is \$223,831 (2018 - \$199,094) as at July 31, 2019. During the fiscal year, the Foundation accepted donated policies and premiums with a fair value of \$1,941,938 and paid acquisition costs and premiums of \$819,140. The aggregate death benefit entitlement of the policies is \$14,236,156 at July 31, 2019 (2018 - \$4,699,717).

#### 5. Cryptocurrency

During the year ended July 31, 2019, no donations of cryptocurrency were received. On December 29, 2017, the Foundation received a donation of 2,500 Ethereum valued at \$2,291,706. This cryptocurrency was sold to a third party for total proceeds of \$2,926,359 and the Foundation realized a gain of \$634,670.

#### 6. Securities

|                       | Amortized Cost \$ | Fair value \$ | 2019 Net book value \$ | 2018 Net book value \$ |
|-----------------------|-------------------|---------------|------------------------|------------------------|
| Cash—Investments      | 4,636,669         | —             | 4,636,669              | 5,381,134              |
| Marketable securities | —                 | 43,431,854    | 43,431,854             | 32,094,333             |
| Private equity funds  | —                 | 432,720       | 432,720                | 435,000                |
| Unlisted securities   | 122,031,281       | —             | 122,031,281            | 38,463,281             |
|                       | 126,667,950       | 43,864,574    | 170,532,524            | 76,373,748             |
| Less current portion  | 4,636,669         | 43,431,854    | 48,068,523             | 32,094,333             |
|                       | 122,031,281       | 432,720       | 122,464,001            | 44,279,415             |

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.

# CHIMP: Charitable Impact Foundation (Canada)

## Notes to the financial statements

July 31, 2019

### 6. Securities (continued)

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.

Subsequent to July 31, 2019, the Foundation received donations of 77,781,178 unlisted securities with a redemption value of \$77,781,178.

#### 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 9 (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.

### 7. Land

In fiscal 2019, the Foundation sold 4 properties (2018 - 15) classified as land to a third party for total proceeds of \$2,134,813 (net of legal fees and commissions of \$62,973) and realized a gain of \$1,729,989 (2018 - \$1,189,233).

Subsequent to July 31, 2019, the Foundation entered into unconditional contracts for sale of land for proceeds of \$176,000 and expects to realize an aggregate gain on disposal of \$38,446.

### 8. Mortgages receivable

|                                                                                                                                                  | 2019 \$   | 2018 \$   |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| 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 | 6,165,176 |
| Less: current portion                                                                                                                            | 350,558   | 337,958   |
|                                                                                                                                                  | 5,476,660 | 5,827,218 |

# CHIMP: Charitable Impact Foundation (Canada)

Notes to the financial statements

July 31, 2019

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## 9. 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. 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.

### 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, 2019, the most significant financial liabilities are the accrued liabilities and related party payable.

## CHIMP: Charitable Impact Foundation (Canada)

Notes to the financial statements

July 31, 2019

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### 10. 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 transaction services of \$4,117,108 (2018 - \$7,302,040) and human resource and business services of \$3,085,251 (2018 - \$5,471,956) 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, 2019, the foundation's amount due to CHIMP Technology Inc. was \$992,212 (2018 - \$329,639).

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.

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### 11. 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 \$768,560.

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### 12. Comparative figures

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