

Year End Report for Canada Gives

Presented by

Lindsay Langlois, CPA, CA
Partner

CONTENTS

Strategy and Succession Planning	2
Where are you today?	
<i>Audited Statement of Financial Position</i>	3
<i>Audited Statement of Changes in Net Assets</i>	4
<i>Audited Statement of Operations</i>	5
<i>Audited Financial Statement Note Highlights</i>	6-7
<i>Key Performance Results</i>	8-11
<i>Five Year Unrestricted Expense Analysis</i>	12
<i>Operating Expense Distribution</i>	13
<i>Expense Breakdown Percentage (Tax Return)</i>	14
<i>Five Year Restricted Funds Expense Analysis</i>	14
Audit committee best practice recommendations.....	15
Summary of audit process.....	16-17

TOP TEN QUESTIONS CONCERNING STRATEGY AND SUCCESSION PLANNING

1. Where will your organization be in 10 years?
2. How up-to-date is your strategic plan?
3. What actions do you take to ensure your board and management team are aligned?
4. How do you measure the effectiveness of your board and of individual directors?
5. How do you evaluate, measure and manage the performance of the management team?
6. What do you currently do to prepare ahead for retirements at the board level? At the senior management level?
7. How do you get buy-in from key constituents for impending change?
8. How effective are your current strategies for enhancing communication and decision-making?
9. What strategies do you have for increasing member support?
10. What success have you had in strengthening the overall culture of the organization?



AUDITED STATEMENT OF FINANCIAL POSITION

Canada Gives Statement of Financial Position

December 31	Unrestricted General fund	Restricted Funds	2020	2019
Assets				
Current				
Unrestricted cash and investments (notes 2 and 7)	\$ 230,546	\$ -	\$ 230,546	\$ 57,300
Accounts receivable	59,918	-	59,918	26,085
Due from restricted fund	215,869	-	215,869	94,873
Restricted cash and investments (note 3)	-	118,659,210	118,659,210	96,095,789
Prepaid insurance premiums (note 8)	-	576,997	576,997	583,534
Deposit	700	-	700	700
	507,033	119,236,207	119,743,240	96,858,281
Capital assets (note 4)	15,781	-	15,781	27,188
	\$ 522,814	\$ 119,236,207	\$ 119,759,021	\$ 96,885,469
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued liabilities (Note 6)	\$ 190,272	\$ -	\$ 190,272	\$ 106,355
Due to general fund	-	215,869	215,869	94,873
	190,272	215,869	406,141	201,228
Long-term liabilities				
Executive severance liability (note 5)	696,449	-	696,449	679,462
	886,721	215,869	1,102,590	880,690
Net assets				
Unrestricted general fund	(363,907)	-	(363,907)	(579,671)
Restricted global projects funds	-	176,607	176,607	78,917
Restricted donor advised funds	-	118,843,731	118,843,731	96,505,533
	(363,907)	119,020,338	118,656,431	96,004,779
	\$ 522,814	\$ 119,236,207	\$ 119,759,021	\$ 96,885,469

The information contained in this report has been summarized from the financial statements of Canada Gives and has not been subject to verification. It is intended for discussion purposes only.

AUDITED STATEMENT OF NET ASSETS

Canada Gives Statement of Changes in Net Assets

For the year ended December 31	Unrestricted General Fund	Restricted Global Projects Funds	Restricted Donor Advised Funds	2020 Total	2019 Total
Net assets (deficiency), beginning of year	\$ (579,671)	\$ 78,917	\$96,505,533	\$96,004,779	\$ 39,765,544
Excess of revenues over expenses for the year	103,939	(46,320)	22,594,033	22,651,652	56,239,235
Interfund transfers (Note 9)					
HST rebates	111,825	-	(111,825)	-	-
Global projects	-	144,010	(144,010)	-	-
Net assets (deficiency), end of year	\$ (363,907)	\$ 176,607	\$118,843,731	\$118,656,431	\$ 96,004,779

The information contained in this report has been summarized from the financial statements of Canada Gives and has not been subject to verification. It is intended for discussion purposes only.

AUDITED STATEMENT OF OPERATIONS

Canada Gives Statement of Operations

For the year ended December 31	Unrestricted General Fund	Restricted Global Projects Funds	Restricted Donor Advised Funds	2020 Total	2019 Total
Revenues					
Receipted donations	\$ 50,000	\$ 18,550	\$37,563,982	\$37,632,532	\$ 58,421,387
Gifts from other					
registered charities	-	52,578	364,348	416,926	218,863
Donation of insurance premiums (Note 8)	-	-	2,386,000	2,386,000	2,386,000
Recovery of administrative costs from donor advised funds	931,638	-	-	931,638	649,072
Investment income including realized and unrealized gains	21,612	-	5,793,060	5,814,672	5,686,761
Foreign exchange gains (losses)	-	(13,437)	-	(13,437)	(2,526)
Other income	46,058	-	-	46,058	36,878
Total revenues	1,049,308	57,691	46,107,390	47,214,389	67,396,435
Expenditures					
Amortization	30,618	-	-	30,618	25,278
DAF account administration	-	7,049	924,557	931,606	649,072
Executive severance and other compensation (note 5)	16,987	-	-	16,987	16,851
Foreign charitable activities	-	90,640	-	90,640	117,926
General administration	73,141	12	-	73,153	58,913
Information technology (Note 6)	295,116	-	-	295,116	43,022
Insurance premiums (Note 8)	-	-	2,417,537	2,417,537	2,910,154
Investment management fees	-	-	580,138	580,138	320,911
Marketing and sales	39,790	-	-	39,790	11,912
Occupancy (Note 6)	61,006	-	173	61,179	76,030
Professional fees	85,555	6,310	-	91,865	119,777
Salaries	334,428	-	-	334,428	328,946
Travel and entertainment	8,828	-	-	8,828	34,622
Total expenditures	945,469	104,011	3,922,405	4,971,885	4,713,414
Excess of revenues over expenditures before charitable grants	103,839	(46,320)	42,184,985	42,242,504	62,683,021
Charitable grants (schedule)	100	-	(19,590,952)	(19,590,852)	(6,443,786)
Excess of revenues over expenditures for the year	\$ 103,939	\$ (46,320)	\$ 22,594,033	\$ 22,651,652	\$ 56,239,235

The information contained in this report has been summarized from the financial statements of Canada Gives and has not been subject to verification. It is intended for discussion purposes only.

AUDITED FINANCIAL STATEMENT NOTE HIGHLIGHTS

Canada Gives Notes to the Financial Statements

For the year ended December 31, 2020

5. Compensation Payable

Pursuant to an agreement dated July 15, 2013, the Foundation is obligated to pay the Executive Director no less than \$750,000 at termination, retirement or completion of her employment contract which, unless extended, ends on December 31, 2023. In addition, effective January 1, 2013, if the Executive Director's contractual compensation is unable to be paid in full on a current basis, the unpaid amount is to be added to the aforementioned compensation obligation. This long-term liability is reflected in these statements at the net present value using current applicable rates for Government of Canada bonds with comparable expected maturities.

Details of compensation payable are as follows:

	2020	2019
Severance payable	\$ 750,000	\$ 750,000
Discount on compensation obligation	(53,551)	(70,538)
	<u>\$ 696,449</u>	<u>\$ 679,462</u>

6. Related Party Transactions

During the year, the Foundation paid rent totaling \$20,340 (2019 - \$20,340) to a company owned by the Chief Executive Officer. Repairs and maintenance expenses totalling \$14,315 (2019 - \$30,828) relating to the office rented above were incurred by the Foundation.

During the year, the Foundation was billed \$290,224 (2019 - \$NIL) for which \$130,411 (2019 - \$NIL) was paid during the year to a company owned by the Chief Executive Officer for licensing fees relating to software used by the Foundation, the remaining balance of \$159,813 is included in accounts payable and accrued liabilities. During the year, payments of \$7,857 were made related to billings from previous years.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

AUDITED FINANCIAL STATEMENT NOTE HIGHLIGHTS

Canada Gives Notes to the Financial Statements

For the year ended December 31, 2020

8. Life Insurance Policies

In 2017, Canada Gives entered into Co-Ownership and Nominee Agreements for 14 separate life insurance policies held at 3 different insurance institutions. To date, the donor has agreed to donate Canada Gives' portion of the annual premiums. Total premium payments for the year were \$2,386,000 (2019 - \$2,386,000) covering the period up to March, 2021. As a result, the portion of the premiums related to 2021 totalling \$576,997 (2019 - related to 2020 totalling \$583,534) have been included as a prepaid expense on the Statement of Financial Position as at December 31, 2020.

According to the Co-Ownership and Nominee Agreement the Charity can provide notice to the other co-owner and the nominee corporation that it will not pay any additional premiums in connection with the life insurance policy (the "Policy"). In such circumstances, the Charity will become the owner of a fully paid up interest in the Policy with a death benefit equal to the amount for the particular year, with no further requirement to pay any premiums.

Subsequent to year end, Canada Gives was notified that the donor will no longer be covering the annual premiums.

As of December 31, 2020, Canada Gives' death benefit entitlement on these insurance policies was \$63,327,749 (2019 - \$53,994,233).

During the year the foundation received a new donation of a life insurance policy valued at \$223,800. A premium payment of \$25,000 was paid during the year from the assets in the DAF account.

9. Interfund Transfers

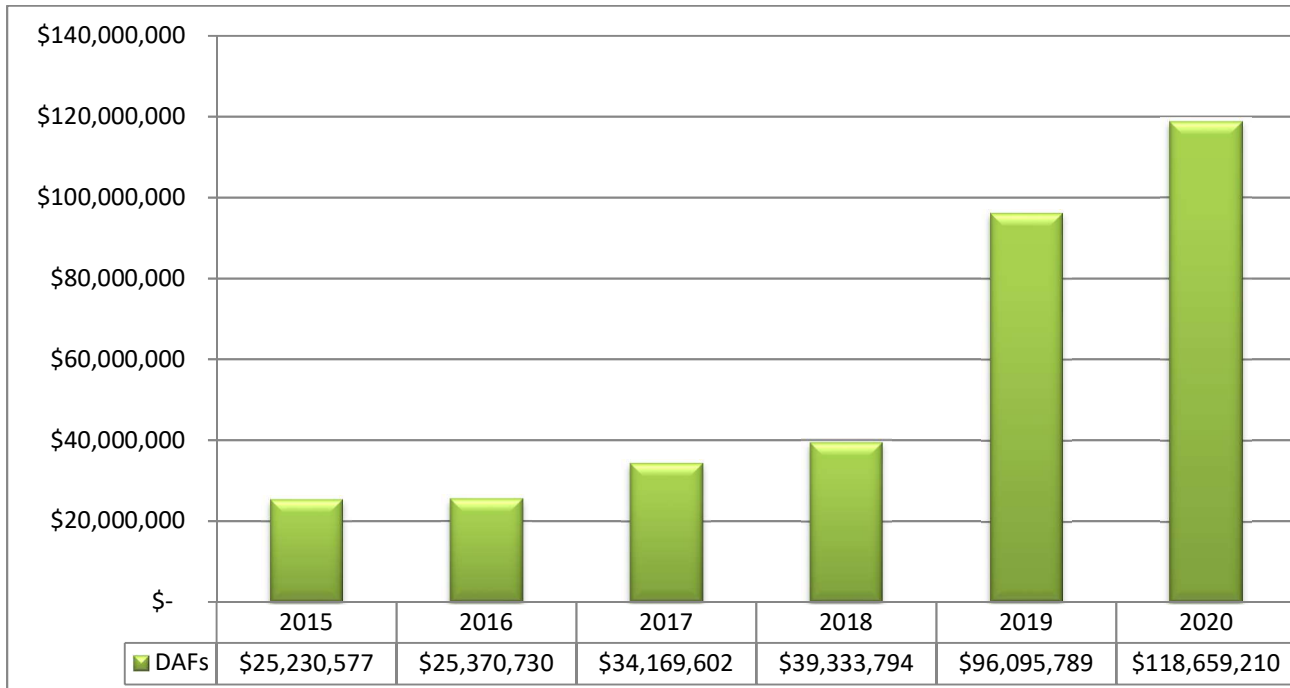
During the year, the Foundation's board of directors approved a transfer in the amount of \$111,825 from the restricted donor advised funds to the general fund related to HST rebates received on investment management fees which are part of the general fund.

Additionally, during the year, a transfer in the amount of \$144,010 was approved from the restricted donor advised fund to provide funding for a global project that began this year.

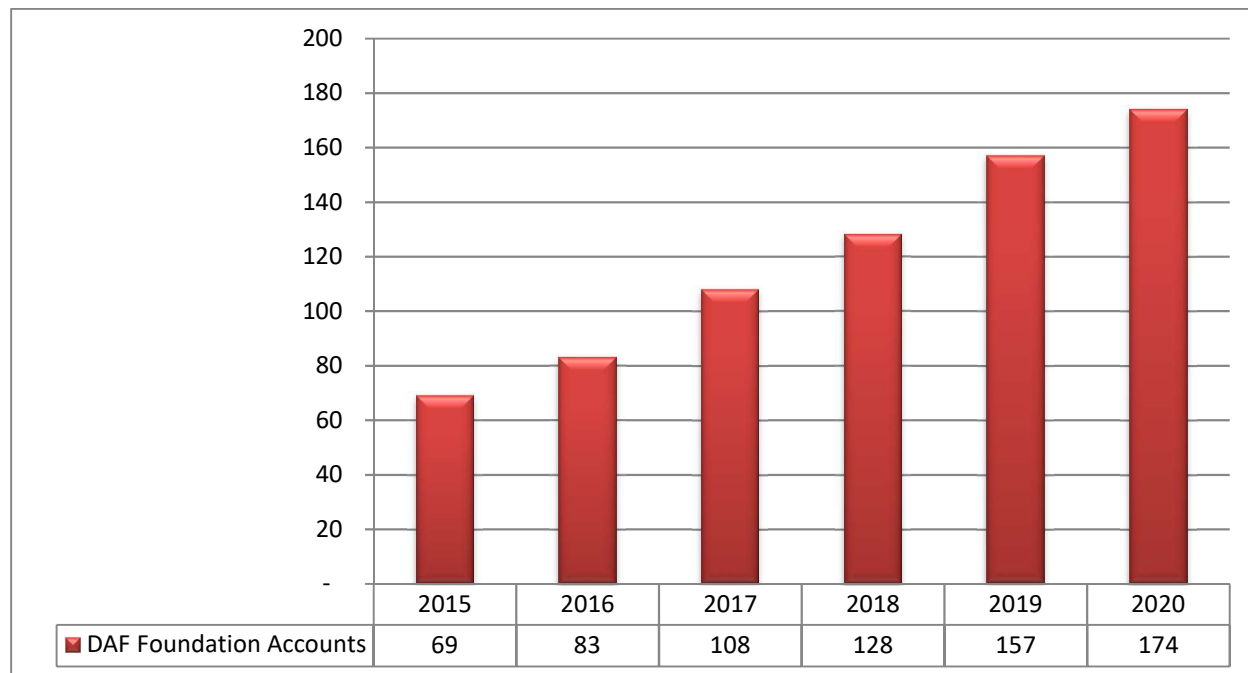
10. Subsequent Event

Subsequent to year end the Foundation sold the real estate included in Investments at \$1,600,000 for \$2,200,000. The gain will be reported as income in restricted funds in the year ending December 31, 2021.

DONOR ADVISED FUNDS (DAFs) - FOUNDATION ACCOUNTS

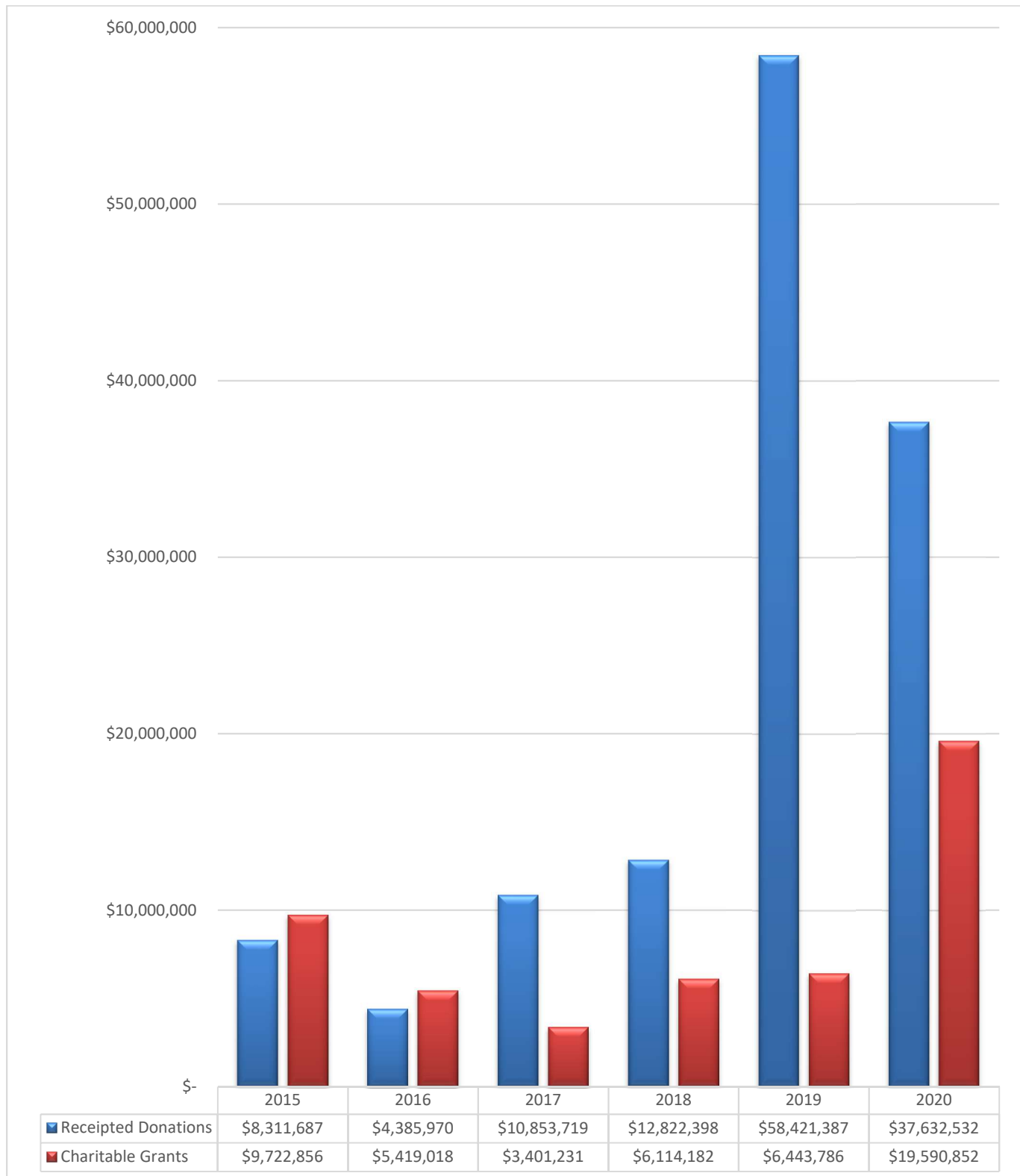


OF DONOR ADVISED ACCOUNTS



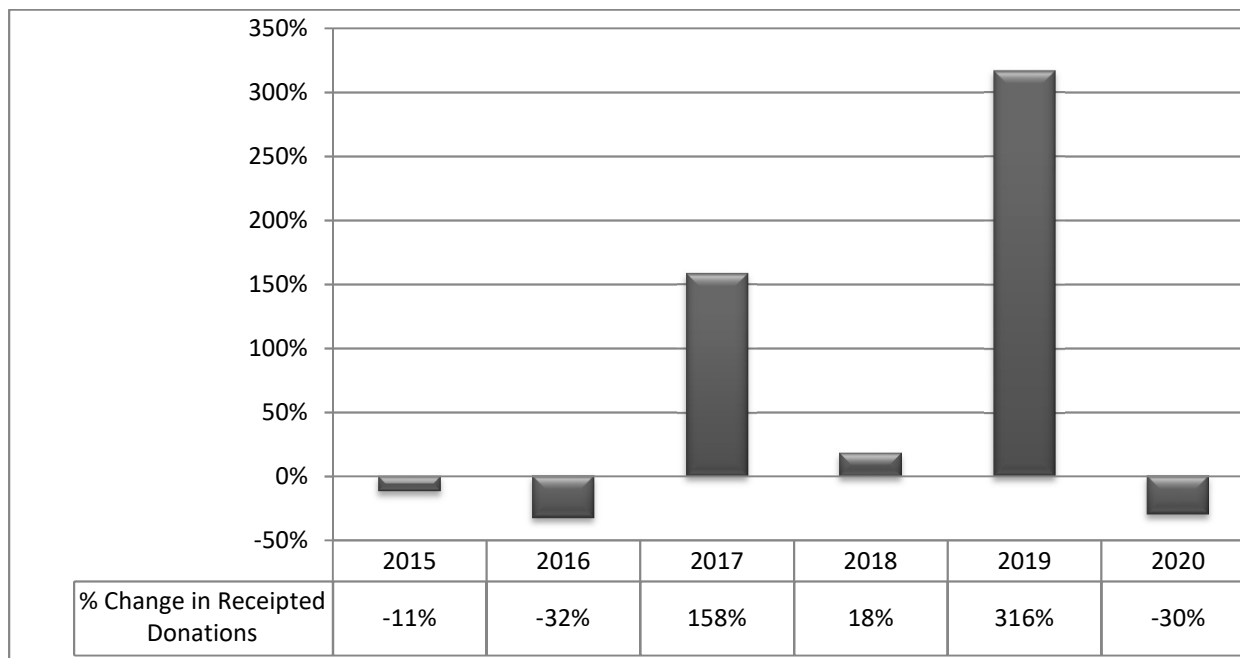
The information contained in this report has been summarized from the financial statements of Canada Gives and has not been subject to verification. It is intended for discussion purposes only.

RECEIPTED DONATIONS VS CHARITABLE GRANTS

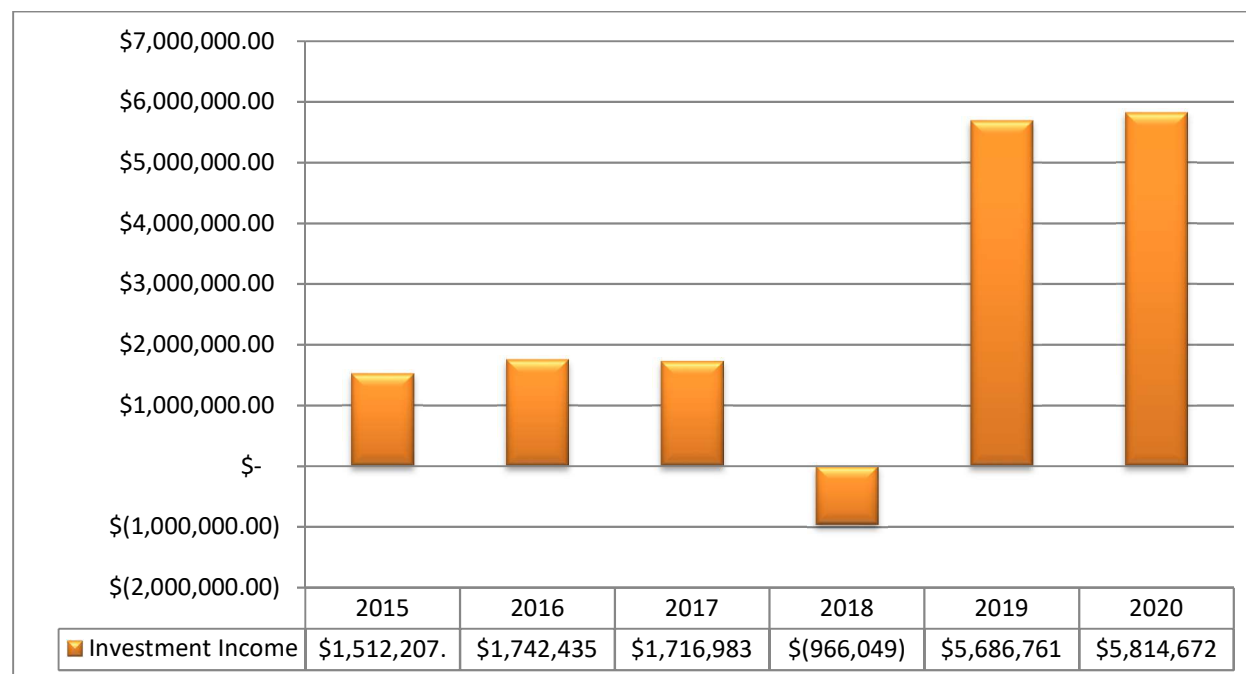


The information contained in this report has been summarized from the financial statements of Canada Gives and has not been subject to verification. It is intended for discussion purposes only.

% (DECREASE) INCREASE IN RECEIPTED DONATIONS

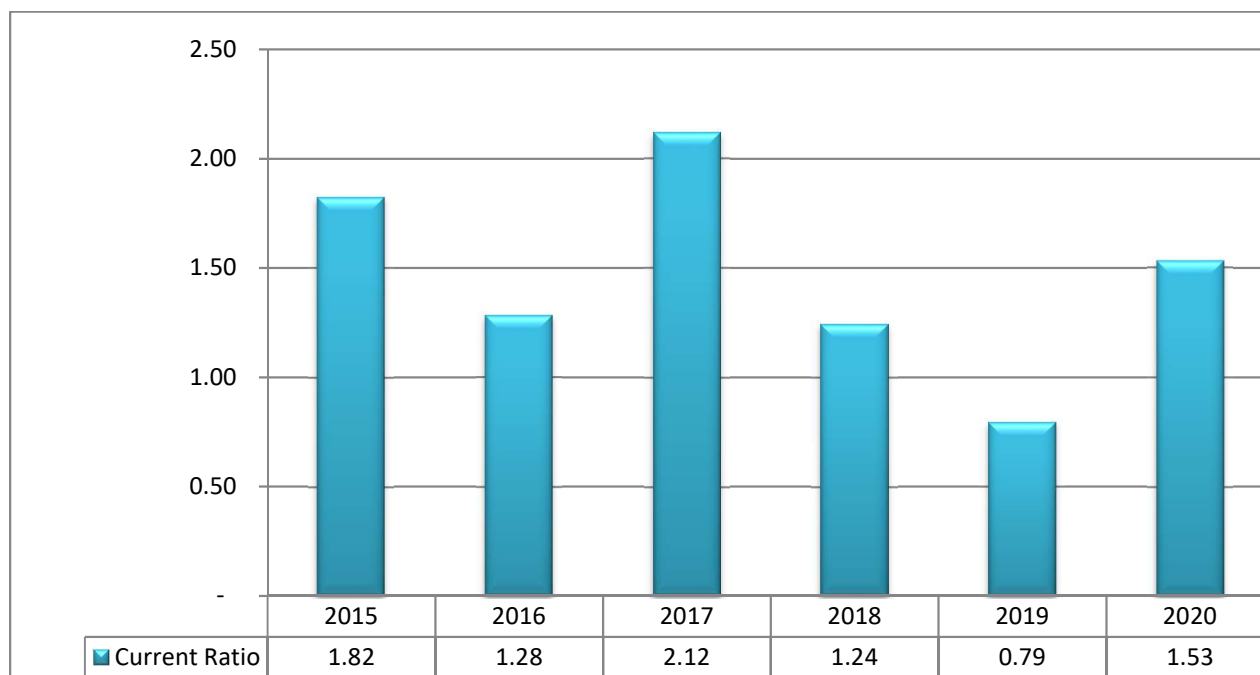


TOTAL INVESTMENT INCOME

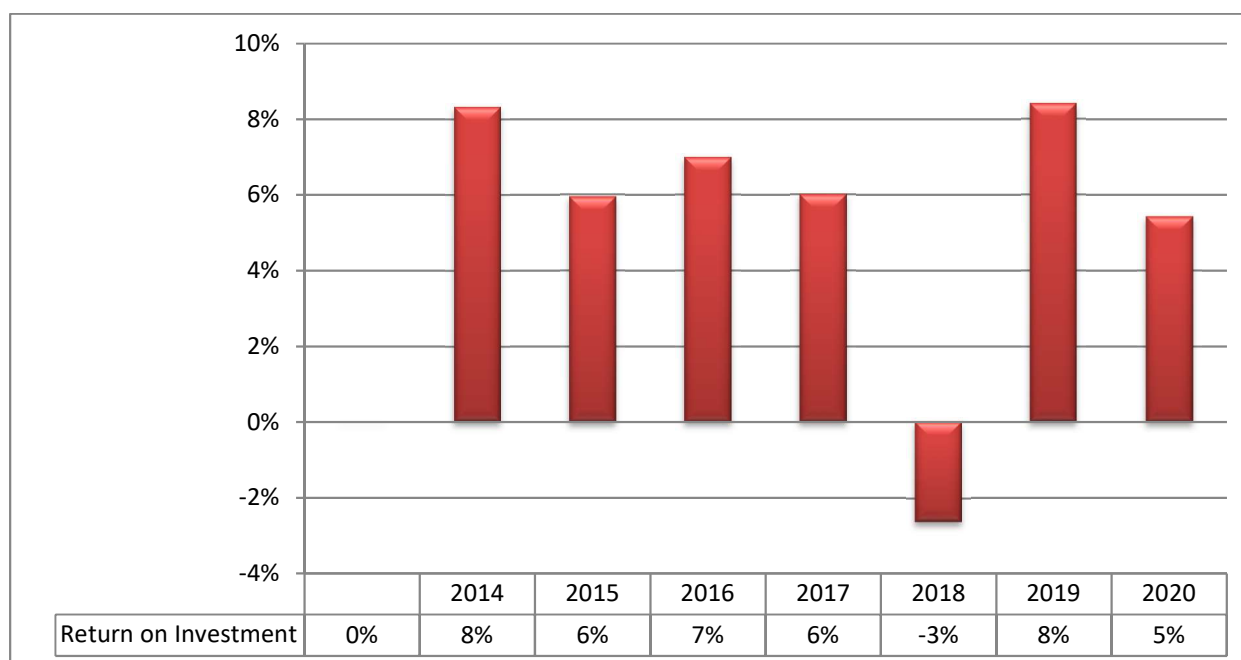


The information contained in this report has been summarized from the financial statements of Canada Gives and has not been subject to verification. It is intended for discussion purposes only.

CURRENT RATIO



RETURN ON INVESTMENTS

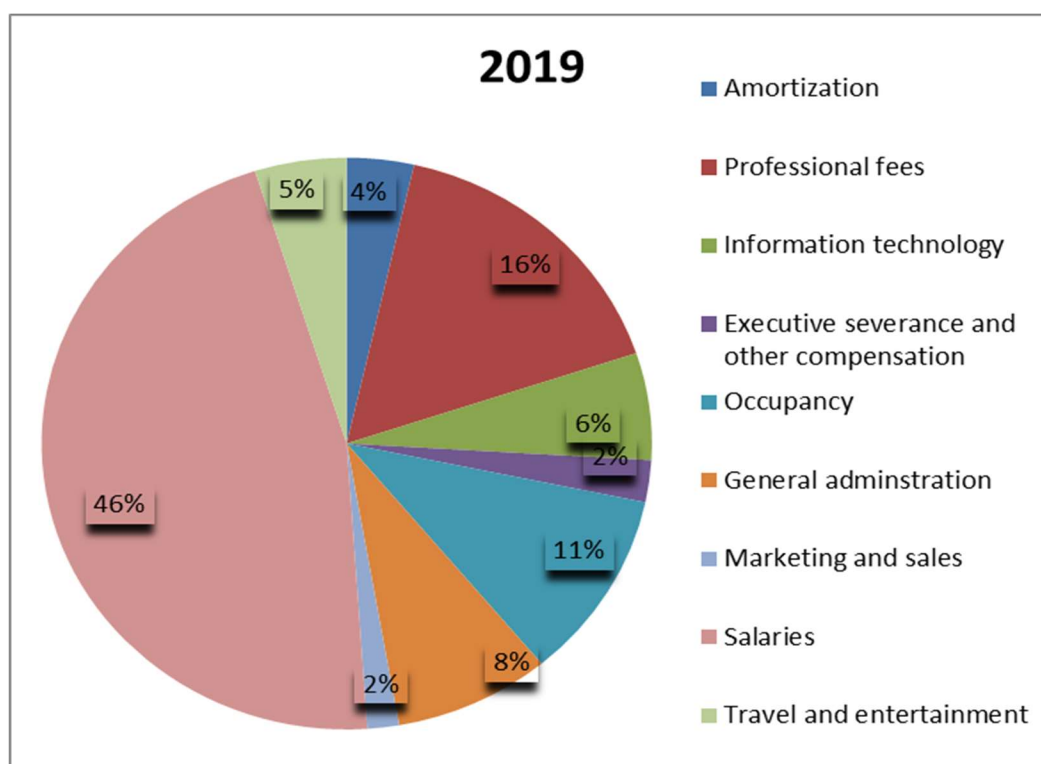
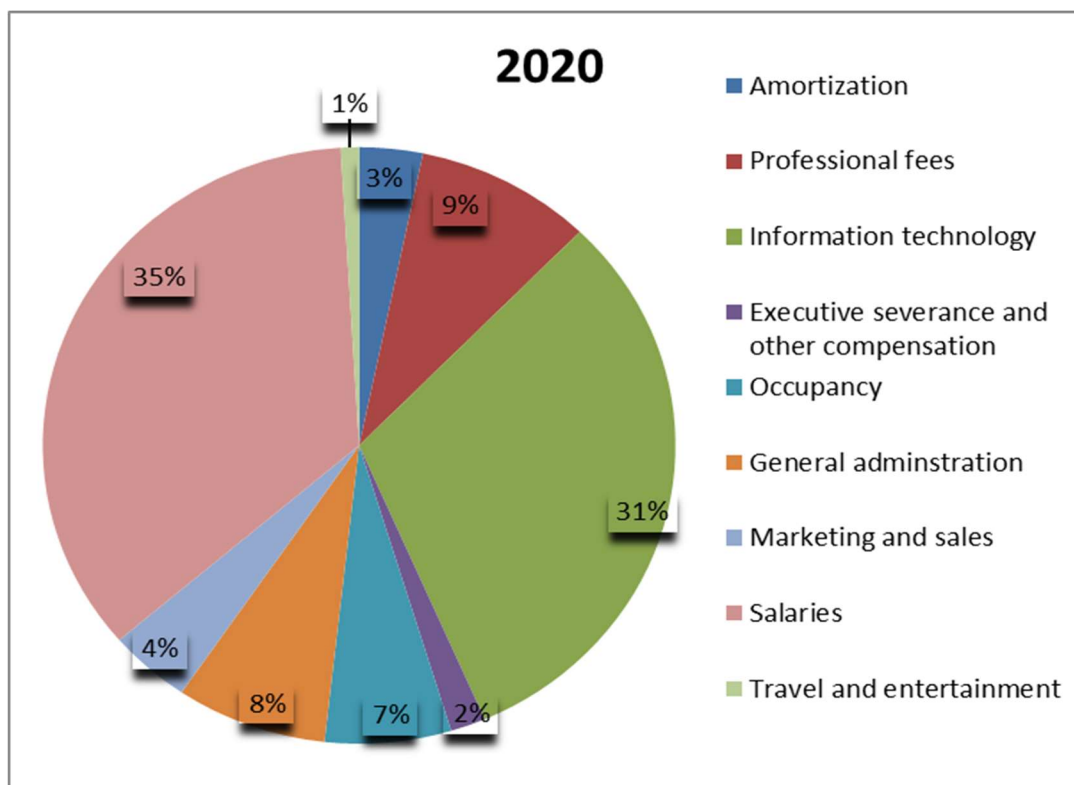


The information contained in this report has been summarized from the financial statements of Canada Gives and has not been subject to verification. It is intended for discussion purposes only.

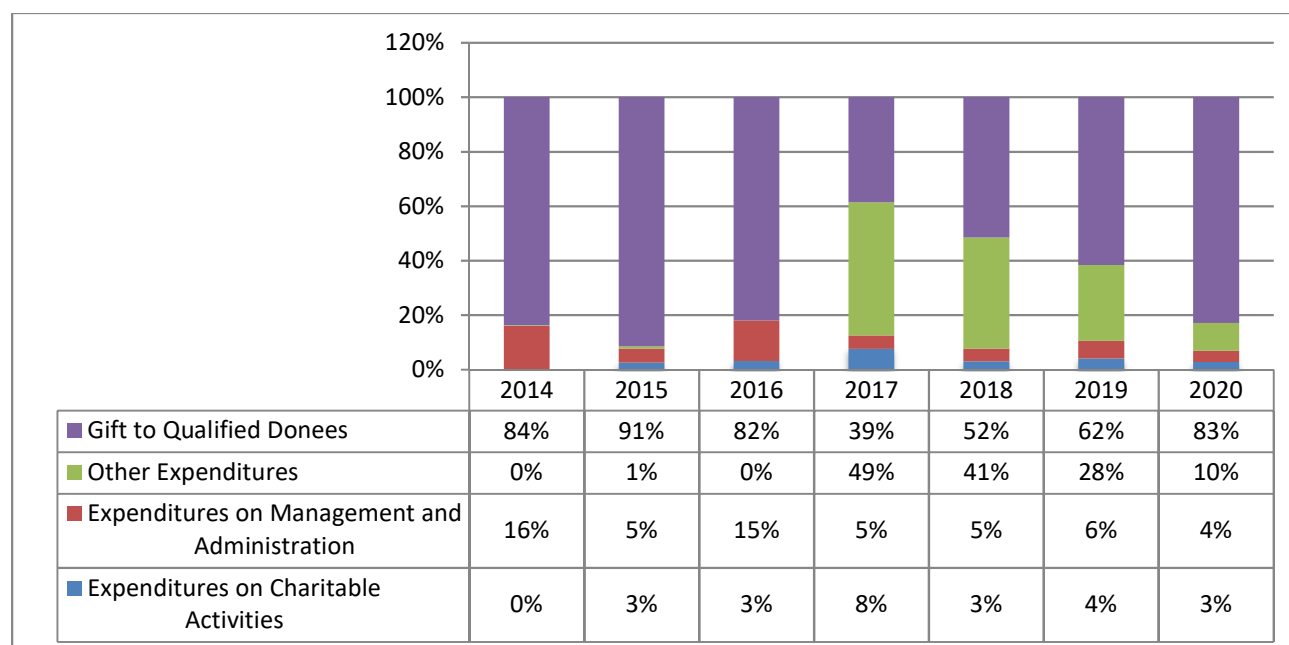
FIVE YEAR UNRESTRICTED OPERATING EXPENSE SUMMARY

Unrestricted Expenses	2020	2019	2018	2017	2016
Operating Expenses:					
Amortization	30,618	25,278	32,419	33,060	25,221
Professional fees	85,555	116,277	55,151	55,215	46,075
Information technology	295,116	43,022	72,350	25,629	7,300
Executive severance and other compensation	16,987	16,851	25,459	17,903	14,361
Occupancy	61,006	76,030	66,624	54,445	56,695
General administration	73,141	58,895	47,051	30,026	56,132
Marketing and sales	39,790	11,912	23,739	8,163	5,559
Salaries	334,428	328,946	212,301	198,382	206,560
Travel and entertainment	8,828	34,622	18,127	18,595	14,355
Total	945,469	711,833	553,221	441,418	432,258

OPERATING EXPENSE DISTRIBUTION



EXPENSE BREAKDOWN PERCENTAGE (TAX RETURN)



RESTRICTED FUNDS EXPENSE SUMMARY

Restricted Expenses	2020	2019	2018	2017	2016
Account administration	931,606	649,072	493,967	400,377	307,608
Foreign charitable activities	90,640	117,926	60,735	378,583	206,672
Information technology			-	-	9,500
Investment management fees	580,138	320,911	303,733	287,812	252,980
Insurance premiums	2,417,537	2,910,154	4,825,884	4,296,411	-
General administration	12	18	80	266	-
Professional Fees	6,310	3,500	2,100	-	-
Occupancy	173				
Total	4,026,416	4,001,581	5,686,499	5,363,449	776,760

Audit Committee Best Practice Recommendations

- **Financial Reporting**
 - The Committee should receive monthly internal financial statements and ensure that the financial statements clearly reflect the true performance of the Organization.
 - The Committee should review audit adjustments made and those waived because of immateriality.
 - The Committee should review and approve the draft audited financial statements.
 - Is there a financial expert on the Committee? The financial expert would have the following 5 attributes:
 - Understanding of the financial statements and accounting principles used to prepare the issuer's financial statements;
 - Ability to assess the application of such accounting policies;
 - Experience preparing, auditing, analyzing or evaluating financial statements, or experience supervising individuals engaged in preparing, auditing, analyzing or evaluating financial statements;
 - An understanding of internal controls and procedures for financial reporting;
 - An understanding of audit committee functions
- **Risks and Controls**
 - The Committee should create the right tone at the top to foster growth of suitable controls.
 - The Committee should have a sufficient understanding of the risks at the Organization.
 - The Committee should analyze the internal control system to ensure that the risks are adequately mitigated.
- **Audit Function**
 - The Committee should ensure that the external auditor selected has sufficient knowledge of and experience in the Organization's industry.
 - The Committee should review the audit fee and ensure that it is in line with the scope of the audit.
 - The Committee should confirm and discuss the auditor's independence.
 - The Committee should keep an open line of communication with the external auditors, including such items as:
 - The auditor's responsibility under Canadian Auditing Standards.
 - The quality of the accounting principles followed by the company.
 - Disagreements with management.
 - Difficulties in performing the audit.
 - Major issues management discussed with the auditors before their retention.
 -
- **Other Items To Consider:**
 - Is the Committee independent from the Organization?
 - Is the Committee sufficiently financially literate?
 - Are there clear position descriptions for directors?
 - Is there orientation and continuing education for all directors in place?
 - Is there a written code of business conduct and ethics?
 - Is there a nominating committee?

Summary of Audit Process

- **Overall Approach**

- Attain an understanding of processes and controls within the organization by performing system descriptions and walkthroughs.
- Attain an understanding of internal IT and software, through discussions with management, review software and our systems descriptions.
- Identify specific areas of the financial information which contain risk, and significant judgment.
- From these initial stages, we determine what procedures to be performed on the specific areas of the financial statements.

Financial Statement Area	Procedures
Cash	<ul style="list-style-type: none"> - Confirmation of cash balances - Testing of bank reconciliations
Restricted cash and investments	<ul style="list-style-type: none"> - Obtain a sample of investment account statements directly from investment brokers - Agree investment statements to reconciliations performed by Canada Gives staff - For private company investments, obtain an independent valuation of the shares and confirm any changes in ownership of the shares throughout the year
Capital Assets	<ul style="list-style-type: none"> - Test a sample of additions - Recalculate amortization expense
Accounts Payable	<ul style="list-style-type: none"> - Perform cut-off testing - Analyze accruals for completeness - Determine reasonableness of HST remittances
Compensation Payable	<ul style="list-style-type: none"> - Evaluate assumptions and recalculate current year amortization
Related party balances and transactions	<ul style="list-style-type: none"> - Review minutes, invoices, contracts, and loan agreements for possible related parties
Commitments and contingencies	<ul style="list-style-type: none"> - Review legal invoices for potential contingent liabilities - Review lease agreements and other contracts future commitments
Donation Revenues	<ul style="list-style-type: none"> - Vouch a sample donations to supporting documentation - Review minutes and discuss with management for existence of non-receipted donations

Financial Statement Area	Procedures
Change in FV of Instruments and Investment Income	<ul style="list-style-type: none"> - Agree change in fair value to investment statements provided - Re-perform translation of foreign currency balances - Determine reasonableness of gains and losses
Payroll	<ul style="list-style-type: none"> - Obtain employee contracts and compare to amounts recognized in the general ledger - Test source deductions
Purchases	<ul style="list-style-type: none"> - Perform variance analysis comparing balances year over year - Obtain a sample of contracts/invoices and compare to the amounts in the general ledger
Charitable Grants	<ul style="list-style-type: none"> - Compare amounts recognized as expenses to supporting documentation such as donation receipts from third parties.
Financial Statement Preparation	<ul style="list-style-type: none"> - Test a sample of non-routine journal entries - Complete a financial statement disclosure checklist to ensure completeness of the financial statement note disclosures - Perform variance analysis at the financial statement level comparing the current year to prior year