



Financial Statements

Donner Canadian Foundation

December 31, 2019

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Independent Auditor's Report

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To the Members of
Donner Canadian Foundation

Opinion

We have audited the financial statements of Donner Canadian Foundation, which comprise the statement of financial position as at December 31, 2019, and the statements of operations and unrestricted net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2019, and its results of 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. 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 organization 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 organization'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 organization'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 generally accepted auditing standards 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 generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Markham, Canada
August 13, 2020

Chartered Professional Accountants
Licensed Public Accountants

Donner Canadian Foundation

Statement of Financial Position

December 31

2019

2018

Assets

Current

Cash	\$ 1,610,002	\$ 12,007,899
Short-term investments	25,775,059	21,498,919
Other receivables	238,930	215,869
Prepaid expenses	66,409	22,506
Due from investment managers	<u>333,369</u>	<u>185,087</u>
	28,023,769	33,930,280
Investments (Note 3)	124,795,104	106,511,694
Office furniture and equipment (Note 4)	<u>12,423</u>	<u>13,683</u>
	<u>\$ 152,831,296</u>	<u>\$ 140,455,657</u>

Liabilities

Current

Accounts payable and accrued liabilities	\$ 286,285	\$ 411,624
Due to investment managers	<u>273,789</u>	<u>114,125</u>
	560,074	525,749
Unrestricted net assets	<u>152,271,222</u>	<u>139,929,908</u>
	<u>\$ 152,831,296</u>	<u>\$ 140,455,657</u>

Donner Canadian Foundation

Statements of Operations and Unrestricted Net Assets

Year ended December 31 2019 2018

Revenue		
Dividends	\$ 1,249,435	\$ 1,933,951
Interest and other investment income	<u>2,395,781</u>	<u>1,401,073</u>
	<u>3,645,216</u>	<u>3,335,024</u>
Realized and unrealized gain (loss) on investments		
Unrealized gain (loss) on investments	14,459,094	(10,544,357)
Net realized gain on investments	1,074,055	8,476,755
Net realized gain (loss) on foreign exchange	<u>(155,902)</u>	<u>79,774</u>
	<u>15,377,247</u>	<u>(1,987,828)</u>
	<u>19,022,463</u>	<u>1,347,196</u>
Expenses		
Other professional services	300,871	615,233
Investment counsel	1,008,464	889,962
Administration	276,222	331,197
Legal and audit services	32,365	68,741
Development	132,206	44,497
Custody	140,000	140,000
Salaries and benefits	<u>429,236</u>	<u>512,778</u>
	<u>2,319,364</u>	<u>2,602,408</u>
	16,703,099	(1,255,212)
Programs	483,301	464,074
Grants	<u>3,878,484</u>	<u>3,449,306</u>
Excess (deficiency) of revenue over expenses	<u>\$ 12,341,314</u>	<u>\$ (5,168,592)</u>
Unrestricted net assets, beginning of year	\$ 139,929,908	\$ 145,098,500
Excess (deficiency) of revenue over expenses	<u>12,341,314</u>	<u>(5,168,592)</u>
Unrestricted net assets, end of year	<u>\$ 152,271,222</u>	<u>\$ 139,929,908</u>

Donner Canadian Foundation

Statement of Cash Flows

Year ended December 31

2019

2018

Increase (decrease) in cash

Operating

Excess (deficiency) of revenue over expenses	\$ 12,341,314	\$ (5,168,592)
Items not affecting cash		
Amortization (included in administration expenses)	2,372	3,210
Unrealized (gain) loss on investments	(14,459,094)	10,544,357
Net realized gain on investments	(1,059,921)	(8,476,755)
Net realized (gain) loss on foreign exchange	<u>155,902</u>	<u>(79,774)</u>

(3,019,427) (3,177,554)

Change in non-cash working capital items

Other receivables	(23,061)	86,287
Prepaid expenses	(43,903)	11,165
Due from investment managers	(148,282)	(185,087)
Accounts payable and accrued liabilities	(125,339)	71,910
Due to investment managers	<u>159,664</u>	<u>(93,178)</u>

(3,200,348) (3,286,457)

Investing

Purchase of office furniture and equipment	(1,112)	(717)
Net proceeds on (purchase of) investments	<u>(7,196,437)</u>	<u>9,459,151</u>

(7,197,549) 9,458,434

(Decrease) increase in cash

(10,397,897) 6,171,977

Cash

 Beginning of year 12,007,899 5,835,922

 End of year \$ 1,610,002 \$ 12,007,899

Donner Canadian Foundation

Notes to the Financial Statements

December 31, 2019

1. Purpose of the Foundation

The Donner Canadian Foundation (the "Foundation") was established by William H. Donner with the mission to encourage individual responsibility and private initiative to help Canadians solve their social and economic problems and to contribute to general charitable purposes.

The Foundation was incorporated without share capital in 1950 under the laws of Canada and transitioned to and continued under the new Canada Not-for-profit Corporations Act, and is exempt from income tax pursuant to the terms of the Income Tax Act (Canada).

2. Significant accounting policies

The Foundation follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

Revenue recognition

The Foundation follows the deferral method of revenue recognition. Revenue is recognized when the amount can be reasonably estimated and collection is reasonably assured.

Interest is recorded as revenue in the year it is earned. Limited partnership, mutual fund and private investment fund distributions reinvested in these vehicles are recognized in income in the year of the distribution and reinvestment. Dividend income is recognized on the ex-dividend date.

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of 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 these estimates.

Items subject to significant management estimates include valuation of investments and accrued liabilities.

Financial instruments

The Foundation considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Foundation accounts for the following as financial instruments:

- cash
- short-term investments and investments
- due from investment managers
- other receivables
- due to investment managers
- accounts payable

A financial asset or liability is recognized when the Foundation becomes party to contractual provisions of the instrument.

Donner Canadian Foundation

Notes to the Financial Statements

December 31, 2019

2. Significant accounting policies (continued)

Financial instruments (continued)

Initial measurement

The Foundation initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

Subsequent measurement

The Foundation subsequently measures its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments which are quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in the statement of operations and unrestricted net assets. Realized and unrealized gains and losses, interest and dividend income are reported in the statement of operations and unrestricted net assets.

Investments in equity instruments without a quoted market value are recorded and carried at cost less any impairment. This category is comprised of limited partnerships, private investment funds and other investments without a quoted market value. All income and realized gains and losses are recognized in the statement of operations and unrestricted net assets. Realized gains and losses on sales of these investments are determined based on the average cost of each investment.

For financial assets measured at cost or amortized cost, the Foundation regularly assesses whether there are any indications of impairment. If there is any such indication of impairment, and the Foundation determines that there is a significant adverse change in the expected timing or amount of future cash flows from that financial asset, it recognizes an impairment loss in the statement of operations and unrestricted net assets. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Grants

Grants are accounted for in the financial statements when they are approved by the Board of Governors.

Foreign currency transactions

Cash, short-term investments and investments denominated in foreign currencies are translated into Canadian dollars at the closing rate of exchange prevailing on the balance sheet date. US currency investments in this category were translated at 1.2988 (2018 - 1.3642). Purchases and sales of investments, revenue and expenses are recorded at the rates of exchange prevailing on the dates of the transactions.

Donner Canadian Foundation

Notes to the Financial Statements

December 31, 2019

2. Significant accounting policies (continued)

Office furniture and equipment

Office furniture and equipment are recorded at cost and are being amortized over their estimated useful lives on a declining balance basis. The annual amortization rates are as follows:

Office equipment	20%
Computer equipment	30 - 50%

Amortization of leasehold improvements is recorded over the remaining term of the lease plus the first renewal option.

Artwork is considered to have an unlimited life, as the Foundation has the resources to preserve and protect their value. Therefore, no amortization is provided for on these assets.

3. Investments

The fair value (FV) and cost of the investments are as follows:

	2019		2018	
	FV	Cost	FV	Cost
Equities	\$ 74,398,972	\$ 59,421,060	\$ 67,613,998	\$ 65,289,088
Investments in limited partnerships	20,473,490	20,473,490	8,636,343	8,636,343
Private investment funds	18,372,067	18,372,067	20,516,870	20,516,870
Mutual funds	11,550,575	10,088,534	9,744,483	10,088,534
	<u>\$ 124,795,104</u>	<u>\$ 108,355,151</u>	<u>\$ 106,511,694</u>	<u>\$ 104,530,835</u>

4. Office furniture and equipment

	2019		2018	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office equipment	\$ 91,567	\$ 90,740	\$ 827	\$ 1,034
Leasehold improvements	34,439	34,439	-	-
Computer equipment	24,183	19,358	4,825	5,878
Artwork	6,771	-	6,771	6,771
	<u>\$ 156,960</u>	<u>\$ 144,537</u>	<u>\$ 12,423</u>	<u>\$ 13,683</u>

Donner Canadian Foundation

Notes to the Financial Statements

December 31, 2019

5. Commitments

The Foundation is committed under an investment advisory agreement which requires minimum quarterly payments of US\$75,000 (2018 - US\$57,500) to be paid every other year, DCF is scheduled to pay in 2020. The Foundation is committed under an investment custodian service agreement, which requires minimum annual payments of \$140,000. There are no fixed terms to these agreements.

The Foundation is committed under agreements with the limited partnerships and private investment funds in which it holds an interest to make additional investments up to a total amount of US\$27,517,133 (2018 - US\$22,235,195) and US\$831,500 (2018 - US\$831,500), respectively.

At year end, the Foundation has grant commitments to registered charities of \$20,000 (2018 - \$20,000).

6. Financial instruments

The Foundation's investment activities expose it to a variety of financial risks related to its financial instruments. The Foundation's Board of Governors seeks to minimize these risks by employing professional and experienced advisors, by monitoring the investment activities and by diversifying the investment portfolio within the constraints of the Foundation's investment guidelines and objectives. The investment portfolio is comprised of short-term investments, Canadian and United States stocks, limited partnerships, private investment funds and mutual funds. The Foundation maintains a balanced mix of investments that represents, in its view, the most optimal combination.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation's main credit risks related to its other receivables. Given that the receivables relate to the collection of outstanding HST income tax credits, credit risk is not considered to be significant.

Donner Canadian Foundation

Notes to the Financial Statements

December 31, 2019

6. Financial instruments (continued)

(b) Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Foundation is mainly exposed to currency risk and other price risk.

(i) Currency risk

Currency risk arises from financial instruments that are denominated in a currency other than Canadian dollars, which is the Foundation's functional currency. The Foundation is exposed to the risk that the value of the securities denominated in other currencies will fluctuate due to the changes in exchange rates. Equities trading in foreign markets are also exposed to currency risk as the price in local terms on the foreign exchange is converted to Canadian dollars to determine the fair market value. The majority of the Foundation's investments are denominated in other currencies.

(ii) Other price risk

Other price risk is the risk that the value of the financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate and currency risks), whether caused by factors specific to an individual investment, its issuer, or other factors affecting instruments traded in a market or market segment. All securities present a risk of loss of capital. The Foundation moderates this risk through a careful selection of securities and other financial instruments within the parameters of the Foundation's investment guidelines and strategy. The maximum risk resulting from financial instruments is equivalent to their fair value. The Foundation's equity and other investments are susceptible to market risk arising from uncertainties about future prices of the instruments.

7. Subsequent events

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Foundation has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Foundation for future periods.