



Financial Statements

Private Giving Foundation

December 31, 2021

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Independent auditor's report

**To the Members of
Private Giving Foundation**

Grant Thornton LLP
11th Floor,
200 King Street West
Toronto, ON
M5H3T4

T +1 416 366 0100
F +1 905 804 0509

Opinion

We have audited the financial statements of **Private Giving Foundation** ("the Foundation"), which comprise the statement of financial position as at December 31, 2021, and the statements of operations and changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Private Giving Foundation** as at December 31, 2021, and its 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. 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 these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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.

Toronto, Canada
June 27, 2022

Chartered Professional Accountants
Licensed Public Accountants

Private Giving Foundation Statement of Financial Position

December 31	2021	2020
Assets		
Current		
Cash	\$ 34,127,583	\$ 13,428,167
Investments (Note 3)	<u>682,581,212</u>	<u>509,581,167</u>
	<u>\$ 716,708,795</u>	<u>\$ 523,009,334</u>
Liabilities		
Current		
Accrued expenses	\$ 1,410,000	\$ 1,050,000
Net assets	<u>715,298,795</u>	<u>521,959,334</u>
	<u>\$ 716,708,795</u>	<u>\$ 523,009,334</u>

See accompanying notes to the financial statements.

Private Giving Foundation

Statement of Operations and Changes in Net Assets

Year ended December 31	2021	2020
Revenue		
Donations of cash and securities	\$ 224,520,138	\$ 108,754,627
Income from investments	9,957,300	7,813,907
Unrealized increase in fair value of investments	<u>53,608,183</u>	<u>27,712,361</u>
	<u>288,085,621</u>	<u>144,280,895</u>
Expenses		
Operating (Note 5)	9,544,294	6,769,841
Life insurance premiums	<u>1,520,254</u>	<u>1,296,411</u>
	<u>11,064,548</u>	<u>8,066,252</u>
Net surplus before undernoted	277,021,073	136,214,643
Grants to charities	<u>(83,681,612)</u>	<u>(76,288,045)</u>
Net surplus	193,339,461	59,926,598
Net assets, beginning of year	<u>521,959,334</u>	<u>462,032,736</u>
Net assets, end of year	<u>\$ 715,298,795</u>	<u>\$ 521,959,334</u>

See accompanying notes to the financial statements.

Private Giving Foundation Statement of Cash Flows

Year ended December 31	2021	2020
Increase (decrease) in cash		
Operating		
Net surplus	\$ 193,339,461	\$ 59,926,598
Change in non-cash operating working capital		
Accrued expenses	<u>360,000</u>	<u>520,000</u>
	<u>193,699,461</u>	<u>60,446,598</u>
Investing		
Net purchases of investments and securities	<u>(173,000,045)</u>	<u>(62,984,011)</u>
Increase (decrease) in cash	20,699,416	(2,537,413)
Cash, beginning of year	<u>13,428,167</u>	<u>15,965,580</u>
Cash, end of year	\$ <u>34,127,583</u>	\$ <u>13,428,167</u>

Private Giving Foundation

Notes to Financial Statements

December 31, 2021

1. Nature of operations

The Private Giving Foundation (the “Foundation”) commenced operations on October 6, 2004. The Foundation is incorporated under the Canada Not-for-profit Corporations Act. The Foundation is an independent, not-for-profit charitable corporation registered as a public foundation with the Canada Revenue Agency. The Foundation was established to support and increase charitable giving in Canada. Donors have the ability to make irrevocable charitable donations to the Foundation of cash and publicly traded securities, to receive an official donation receipt for such donations and to make recommendations on the grants to charities.

2. Summary of significant accounting policies

Basis of accounting

The Foundation has prepared these financial statements in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). ASNPO requires entities to select policies appropriate for their circumstances from policies provided in these standards. The following are the policies selected by the Foundation and applied in these financial statements.

Use of estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Revenue recognition

The Foundation follows the deferral method of accounting for donations, which are recognized in revenue when received or receivable. Grants to charities which are recommended by donors are at the discretion of the Foundation.

Income from investments is recorded as earned. Gains and losses from changes in the fair value of investments are recorded, whether realized or unrealized.

Financial instruments

The Foundation’s financial instruments consist of cash and investments. A financial asset or liability is recognized when the Foundation becomes party to contractual provisions of the instrument. Financial assets or liabilities are initially measured at their fair value.

The Foundation subsequently measures its financial assets and financial liabilities at cost or amortized cost, except for its investments which are quoted in an active market, which are subsequently measured at fair value. If there is no quoted price in an active market then the Foundation uses valuation techniques that maximize the use of relevant observable inputs and minimize the unobservable inputs. Changes in fair value are recognized in the statement of operations and changes in net assets.

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 changes in net assets. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Private Giving Foundation

Notes to Financial Statements

December 31, 2021

2. Summary of significant accounting policies (continued)

Insurance contracts

The Foundation is the owner and beneficiary of various life insurance contracts. Due to the uncertainty of valuation and continuance of premium payments by donors, the value of the life insurance contracts is not recorded in the accounts of the Foundation until benefit payments are received or confirmed as receivable.

3. Investments

The Foundation's investments consist of the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 21,096,826	\$ 29,347,768
Fixed income	194,740,959	153,752,800
Private commercial mortgages	50,875,000	15,458,668
Private Canadian real estate	38,087,000	19,347,012
Private infrastructure	36,065,000	10,119,347
Canadian equities	125,285,282	93,893,872
U.S. equities	81,428,716	54,883,716
International equities	<u>135,002,429</u>	<u>132,777,984</u>
	<u>\$ 682,581,212</u>	<u>\$ 509,581,167</u>

4. Financial risk management

The Foundation is exposed to various financial risks through transactions in financial instruments. The Foundation manages these risks by maintaining a diversified portfolio of investments. The Foundation's exposure to and management of the risks described below has not changed materially since December 31, 2020.

Liquidity risk

Liquidity risk is the risk that the Foundation cannot meet its financial obligations as they come due. The majority of the Foundation's investments are traded in an active market and can be readily liquidated. In addition, the Foundation aims to retain sufficient cash positions to maintain liquidity. Therefore, the Foundation's liquidity risk is considered minimal.

Credit risk

Credit risk is the potential for financial loss should a counterparty in a transaction fail to meet its obligations. The Foundation's investments in certain securities including fixed income and private commercial mortgages are subject to credit risk. The maximum exposure to credit risk on these financial instruments is their carrying value.

Private Giving Foundation

Notes to Financial Statements

December 31, 2021

4. Financial risk management (continued)

Market risk

Market risk is the potential for financial loss to the Foundation from changes in the values of its financial instruments due to changes in interest rates, currency exchange rates, equity prices and appraisals of private investments. The investments of the Foundation are subject to normal market fluctuations and to the risk inherent in investments.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect future cash flows or fair values of financial instruments. The Foundation is exposed to interest rate risk on its investments in fixed income, private commercial mortgages, and other interest sensitive securities.

Currency risk

Currency risk is the risk that the value of the financial instruments denominated in currencies other than the functional currency of the Foundation will fluctuate due to changes in foreign exchange rates. The Foundation is exposed to currency risk as it invests in foreign fixed income, foreign common stock and other foreign securities. The prices denominated in foreign currencies are converted to the Foundation's functional currency in determining fair value.

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 holdings in publicly traded equities.

Valuation risk

Valuation risk arises from the appraisal of certain investment assets. The Foundation is exposed to valuation risk through its holdings in private commercial mortgages, private infrastructure, and private Canadian real estate.

5. Service agreements

The Foundation has entered into a service agreement with The Toronto-Dominion Bank to perform or arrange for administrative and investment management services. The provision of these services is included in operating expenses.