



Financial Statements

Private Giving Foundation

December 31, 2018

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Independent auditor's report

To the Members of
Private Giving Foundation

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Opinion

We have audited the financial statements of **Private Giving Foundation** ("the Foundation"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, and changes in fund balances 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, 2018, 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 24, 2019

Chartered Professional Accountants
Licensed Public Accountants

Private Giving Foundation

Statement of Financial Position

December 31	2018	2017
Assets		
Current		
Cash	\$ 15,909,385	\$ 22,190,165
Securities (Note 3)	<u>53,080,462</u>	<u>29,666,401</u>
	68,989,847	51,856,566
Investment in mutual funds (Note 4)	<u>295,920,074</u>	<u>316,006,978</u>
	<u>\$ 364,909,921</u>	<u>\$367,863,544</u>
Liabilities		
Current		
Accrued expenses	\$ 470,000	\$ 440,000
Net assets	<u>364,439,921</u>	<u>367,423,544</u>
	<u>\$ 364,909,921</u>	<u>\$367,863,544</u>

On behalf of the Board

_____ Chair _____ Secretary

Private Giving Foundation

Statement of Operations and Changes in Net Assets

Year ended December 31	2018	2017
Revenue		
Donations of cash and securities	\$ 96,229,298	\$ 93,555,053
Income from TD Mutual Funds	5,000,002	6,187,400
Interest, other investment and miscellaneous income	989,382	309,673
Gain on disposition of securities	2,386,706	2,911,803
Unrealized (decrease) increase in fair value of investments	<u>(29,623,216)</u>	<u>6,805,592</u>
	<u>74,982,172</u>	<u>109,769,521</u>
Expenses		
Administration fee (Note 7)	2,752,003	2,613,373
Life insurance contracts purchased	1,087,622	1,170,041
Commission on disposition of securities	13,869	12,519
Private investment counsel (PIC) fees	<u>9,353</u>	<u>-</u>
	<u>3,862,847</u>	<u>3,795,933</u>
Net surplus before undernoted	71,119,325	105,973,588
Disbursements to charities	<u>(74,102,948)</u>	<u>(35,425,250)</u>
Net (deficiency) surplus	(2,983,623)	70,548,338
Net assets, beginning of year	<u>367,423,544</u>	<u>296,875,206</u>
Net assets, end of year	<u>\$ 364,439,921</u>	<u>\$ 367,423,544</u>

See accompanying notes to the financial statements.

Private Giving Foundation

Statement of Cash Flows

Year ended December 31	2018	2017
Increase (decrease) in cash		
Operating		
Net (deficiency) surplus	\$ (2,983,623)	\$ 70,548,338
Change in non-cash operating working capital		
Accrued expenses	<u>30,000</u>	<u>50,000</u>
	<u>(2,953,623)</u>	<u>70,598,338</u>
Investing		
Net purchases of investments and securities	<u>(3,327,157)</u>	<u>(75,726,833)</u>
Decrease in cash	(6,280,780)	(5,128,495)
Cash, beginning of year	<u>22,190,165</u>	<u>27,318,660</u>
Cash, end of year	\$ <u>15,909,385</u>	\$ <u>22,190,165</u>

Private Giving Foundation

Notes to Financial Statements

December 31, 2018

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, publicly traded and mutual fund securities, to receive an official donation receipt for such donations and to make recommendations on the placement of the grants to registered 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 contributions, which are recognized in revenue when received or receivable. Disbursements to qualified donees requested by donors are ultimately at the discretion of the Foundation. Income from investments is recorded as earned, including gains and losses based on quoted fair values, whether realized or unrealized.

Securities

Donated securities are measured at fair value at the statement of financial position date. Changes in fair value for the year are reflected in the statement of operations and changes in net assets.

Financial instruments

The Foundation's financial instruments consist of cash, securities, and investment in mutual funds. Financial assets or liabilities are initially measured at their fair value and subsequently measured at amortized cost, except for its securities and investments in mutual funds which are measured at fair value.

Insurance contracts

The Foundation is the 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.

Private Giving Foundation

Notes to Financial Statements

December 31, 2018

3. Securities

	<u>2018</u>	<u>2017</u>
GICs	\$ 35,408,427	\$ 25,000,000
Private Investment Counsel (PIC) stocks	9,890,885	-
Other stocks	<u>7,781,150</u>	<u>4,666,401</u>
	<u>\$ 53,080,462</u>	<u>\$ 29,666,401</u>

4. Investment in TD Mutual Funds

Donations of cash and cash proceeds from the sale of donated securities are invested in Series C units of the TD Balanced Income Fund and Series C units of the TD Monthly Income Fund (the Funds). Investments in these mutual fund units are recorded at fair value at the statement of financial position date. Changes in fair market value for the year are reflected in the statement of operations and changes in net assets.

5. Investment policy

In accordance with the Foundation's mission to support and increase charitable giving in Canada, the Board of Directors has a comprehensive investment policy in place. In summary, it endeavours to protect capital of the funds entrusted to the Foundation while achieving maximum returns consistent with prudent investment management.

6. Financial risk management

The Foundation relies on the Fund Managers to manage the risks that arise from its use of financial instruments, including liquidity, credit and market risk. Management regularly reviews the Foundation's investments to ensure all activities adhere to the investment policy.

Liquidity risk

Liquidity risk is the risk that the Foundation cannot meet a demand for cash or fund its obligations as they come due. A key liquidity requirement for the Foundation is grant commitments. Liquidity risk is managed by investing the majority of the Foundation's assets in the Funds which is traded in an active market and can be readily liquidated. In addition, the Foundation aims to retain sufficient cash positions to maintain liquidity. The Foundation's investments are considered readily realizable and liquid, therefore the Foundation's liquidity risk is considered minimal. The Foundation's exposure to and management of liquidity risk has not changed materially since December 31, 2017.

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 securities and mutual funds are subject to credit risk. The maximum exposure to credit risk on these financial instruments is their carrying value. The Foundation monitors its credit risk management policies regularly to evaluate their effectiveness. The Foundation's exposure to and management of credit risk has not changed materially since December 31, 2017.

Private Giving Foundation

Notes to Financial Statements

December 31, 2018

6. 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 or equity prices. The investments of the Foundation are subject to normal market fluctuations and to the risk inherent in investment in capital markets.

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. Interest rate risk arises when the Funds in which the Foundation invests, invests in interest bearing financial instruments, and therefore the Foundation is exposed to interest rate risk on the Funds bond portfolio. The objective of the Foundation's investment policy is to control interest rate risk by managing its interest rate exposure.

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 currency preferred and common stock and foreign currency bonds and debentures. The prices denominated in foreign currencies are converted to the Foundation's functional currency in determining fair value. The objective of the Foundation's investment policy is to control currency risk by maintaining a geographically diversified portfolio.

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 preferred and common stock. The objective of the Foundation's investment policy is to control equity price risk by maintaining a portfolio which is diversified across geographic and industry sectors. Historically, the performance of the Foundation's investments is measured against a benchmark consisting of relative weighting of the S&P/TSX Composite, DEX Universe Bond and MSCI World Index indices.

Other price risk

As at December 31, 2018 had the value of the Foundation's investments increased or decreased by 5 percent, with all other variables held constant, the net assets of the Foundation would have increased or decreased by approximately \$10,000,000.

Private Giving Foundation

Notes to Financial Statements

December 31, 2018

7. Service agreements

The Foundation has entered into a service agreement with The Toronto-Dominion Bank (the “Bank”) to perform or arrange for administrative, recordkeeping, fundraising and certain other services for the Foundation. The Bank is paid an annual administrative fee of up to 1.5% plus HST of the market value of the assets held within the donor-advised accounts. The Foundation has also entered into an investment management agreement with TD Asset Management Inc. (TDAM), a subsidiary of The Bank, whereby TDAM arranges the disposition of securities and provides investment management services to the Foundation. TDAM is paid commissions for the securities dispositions and an investment management fee which is charged directly to the Foundation. The management expense ratio of the TD mutual funds is 1.25% plus HST which is split between TDAM (45%) and the Bank (55%).

The Foundation board of directors comprises a majority of directors who are independent of the Bank. Two of the directors are currently employees of the Bank.

Private Giving Foundation

Representative Sample of Disbursement Recipients

Year ended December 31, 2018

During the year, disbursements were made by the Foundation to more than 1800 registered charities across Canada. A selection of these charities is provided below.

Culture

Canadian Museum of History
Canadian Opera Company
Globe Theatre Society
National Ballet of Canada
Regina Symphony Orchestra
Shaw Festival Theatre Canada
Soulpepper Theatre Company
The Royal Conservatory of Music
The Vancouver Art Gallery

Environment

Assiniboine Park Conservancy
Bruce Trail Conservancy
Nature Conservancy of Canada
Raincoast Conservation Foundation
Second Chance Wildlife Sanctuary
The Kamloops Wildlife Park Society
The Nature Trust of British Columbia
Word & Deed Ministries Canada Inc.
World Wildlife Fund Canada

Social Services

Barbra Schlifer Commemorative Clinic
Battered Women's Support Services
Boys and Girls Clubs (various)
Brown Bagging for Calgary Street
Children's Aid Foundation
Community Food Centres Canada
Ghana Rural Integrated Development
Habitat for Humanity Canada
One Girl Can Society
The Woodgreen Foundation
United Way (various)
YMCA (various)

Health Care

Alberta Diabetes Foundation
Arthritis Research Foundation
Holland Bloorview Foundation
Bridgepoint Foundation
Kidsability Foundation
Operation Smile Canada Foundation
Princess Margaret Cancer Foundation
Shalom Manor Long Term Care Home

Education

Canadian Institute of Linguistics
Crandall University
Dordt College
Redeemer University College
St. Thomas University
Trinity Western University
University of British Columbia
University of Western Ontario
York University

International

Canadian Crossroads International
Canadian Food for Children
Charities Aid Foundation Canada
Unicef Canada
Canadian Red Cross Society
Doctors without Borders Canada
Opportunity International Canada
World Renew
World Vision Canada

Faith

Apostolic Christian Church Nazarean
Christian Blind Mission
Christian School Foundation (Canada)
Compassion Canada
Crossroads Christian Communications
Gideons International in Canada
Hughson Street Baptist Church
Indwell Community Homes
Mennonite Central Committee Ontario
Prairie Bible Institute
The Samaritans Purse-Canada
Village Church BC Society

St. Michael's Hospital Foundation
Tapestry Foundation for Health Care
The Calgary Foundation
The Hospital for Sick Children Foundation
Toronto General and Western Hospital
Toronto Rehabilitation Institute
Trillium Health Partners Foundation
War Amputations of Canada