

Financial statements of

**CHIMP: Charitable Impact
Foundation (Canada)**

July 31, 2016

CHIMP: Charitable Impact Foundation (Canada)

July 31, 2016

Table of contents

Independent Auditor's Report 1-2

Statement of operations 3

Statement of financial position 4

Statement of changes in net assets 5

Statement of cash flows 6

Notes to the financial statements 7-10



Deloitte LLP
2800 - 1055 Dunsmuir Street
4 Bentall Centre
P.O. Box 49279
Vancouver BC V7X 1P4
Canada

Tel: 604-669-4466
Fax: 778-374-0496
www.deloitte.ca

Independent Auditor's Report

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

We have audited the accompanying financial statements of CHIMP: Charitable Impact Foundation (Canada), which comprise the statement of financial position as at July 31, 2016, 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.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of CHIMP: Charitable Impact Foundation (Canada) as at July 31, 2016 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.

Deloitte LLP

Chartered Professional Accountants
January 10, 2017
Vancouver, British Columbia

CHIMP: Charitable Impact Foundation (Canada)

Statement of operations
year ended July 31, 2016

	2016	2015
	\$	\$
Revenue		
Donations	71,648,803	50,408,212
Interest and other investment income	76,725	221,697
Other income	9,040	-
Unrealized (loss) gain on revaluation of donated securities	(847,249)	2,894,000
Realized loss on sale of donated securities	(4,927)	(149,782)
Realized loss on sale of donated land	(200)	(4,100)
	70,882,192	53,370,027
Expenses		
Disbursements to charities and qualified donees	57,561,312	23,406,068
Technology and human resource services (Note 8)	3,573,723	2,573,169
Contractor fees	176,721	37,500
Bank, interest and credit card processing charges	138,739	112,583
Legal and compliance	54,404	33,168
Office and administration	38,657	20,959
Property taxes	32,934	29,016
Audit fees	29,689	21,277
Life insurance	11,235	36,439
Selling costs	10,971	5,968
Insurance	4,257	1,550
Payroll	3,484	12,263
Amortization	1,049	2,332
	61,637,175	26,292,292
Excess of revenues over expenses	9,245,017	27,077,735

The accompanying notes to the financial statements are an integral part of this financial statement.

CHIMP: Charitable Impact Foundation (Canada)

Statement of financial position
as at July 31, 2016

	2016	2015
	\$	\$
Assets		
Current assets		
Cash (Note 3)	9,613,758	12,333,064
Donated securities (Note 4)	22,450,811	28,696,843
Amounts recoverable from government authorities	172,984	79,652
Prepaid expenses	33,713	-
	32,271,266	41,109,559
Donated land	1,611,094	1,665,775
Mortgage receivable (Note 6)	18,754,487	-
Cash surrender value of life insurance policies	24,326	11,561
Equipment (Note 5)	859	1,908
	52,662,032	42,788,803
Liabilities		
Current liabilities		
Accrued liabilities	1,063,032	434,820
Net assets	51,599,000	42,353,983
	52,662,032	42,788,803

Approved on behalf of the Board

Christopher Richardson

Director



Director

The accompanying notes to the financial statements are an integral part of this financial statement.

CHIMP: Charitable Impact Foundation (Canada)

Statement of changes in net assets
year ended July 31, 2016

	Unrestricted	2016 Total	2015 Total
	\$	\$	\$
Balance, beginning of the year	42,353,983	42,353,983	15,276,248
Excess of revenues over expenditures	9,245,017	9,245,017	27,077,735
Balance, end of the year	51,599,000	51,599,000	42,353,983

The accompanying notes to the financial statements are an integral part of this financial statement.

CHIMP: Charitable Impact Foundation (Canada)

Statement of cash flows year ended July 31, 2016

	2016	2015
	\$	\$
Operating activities		
Excess of revenues over expenditures for the year	9,245,017	27,077,735
Items not involving cash		
Amortization	1,049	2,332
Donation of securities	(683,346)	(21,691,261)
Donation of land	(31,975,000)	(1,788,875)
Disbursement of land	30,472,987	-
Unrealized loss (gain) on revaluation of donated securities	847,249	(2,894,000)
Realized loss on sale of donated securities	4,927	149,782
Realized loss on sale of donated land	200	4,100
	7,913,083	859,813
Changes in non-cash working capital balances		
Amounts recoverable from government authorities	(93,332)	(49,358)
Accrued liabilities	628,212	376,010
Prepaid expenses	(33,713)	1,550
	8,414,250	1,188,015
Investing activities		
Purchase of securities	(2,469,259)	-
Proceeds on disposition of donated securities	8,546,460	8,162,909
Proceeds on sale of donated land	1,556,495	119,000
(Increase) decrease in cash surrender value of life insurance policies	(12,765)	12,439
Mortgage receivable	(18,754,487)	-
	(11,133,556)	8,294,348
(Decrease) increase in cash during the year	(2,719,306)	9,482,363
Cash, beginning of year	12,333,064	2,850,701
Cash, end of year	9,613,758	12,333,064

The accompanying notes to the financial statements are an integral part of this financial statement.

CHIMP: Charitable Impact Foundation (Canada)

Notes to the financial statements

July 31, 2016

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 is a web-based 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 money in their accounts be allocated to any qualified donee (including all registered charities, registered Canadian amateur athletic associations, municipalities, etc.).

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) Donated land

Donated land is valued at the lower of cost and current replacement cost. Cost is determined based on fair value at time of contribution.

(b) Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is provided on a declining balance basis at the following annual rate:

Computer hardware	55%
-------------------	-----

In the year of acquisition, amortization is provided for half the year.

The Foundation reviews equipment for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable from expected undiscounted future cash flows and eventual disposition. No impairment losses were identified by the Foundation for the year ended July 31, 2016.

(c) 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. Disbursements to qualified donees (including all registered charities, registered Canadian athletic associations, municipalities, etc.), as requested by CHIMP account holders at the time of donation, are ultimately at the discretion of the Foundation.

(d) Donated securities

Donated securities are comprised of unlisted shares and publicly traded securities.

(i) Investments in unlisted shares, are measured at fair value on the date of donation, and are thereafter carried at this amount until such time as they are sold or become impaired.

(ii) Investments in publicly traded securities are measured at fair value initially and thereafter at the statement of financial position date. The fair value of publicly traded securities is based on the latest closing price.

The Foundation is subject to equity price risk pending the sale of donated securities. As donated securities are received, they will either be liquidated immediately, or held under the Foundation's management with the written consent of the donor. Upon disposition, the donor may request disbursement to respective qualified donees based on the net proceeds. Please see Note 7(c) for further information.

CHIMP: Charitable Impact Foundation (Canada)

Notes to the financial statements

July 31, 2016

2. Significant accounting policies (continued)

(e) Financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value. It subsequently measures donated publicly traded securities at fair value, donated unlisted shares at cost less impairment, if any, and all other financial assets and financial liabilities at amortized cost. The financial assets subsequently measured at amortized cost include cash. The financial liabilities measured at amortized cost include accrued liabilities.

(f) 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 carrying value of unlisted donated securities, 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

	2016	2015
	\$	\$
Operating cash	5,259,724	3,357,746
CHIMP funds (donor advised funds)	4,354,034	8,975,318
	9,613,758	12,333,064

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 donor advised funds entrusted to the Foundation. Some donor advised funds hold securities with the purpose of achieving maximum returns for their fund consistent with prudent investment management.

The Foundation relies on the Board of Directors 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.

4. Donated securities

	2016		2015
	Cost	Fair value	Net book value
	\$	\$	\$
Unlisted shares	10,984,843	-	18,784,843
Publicly traded securities	-	11,465,968	9,912,000
	10,984,843	11,465,968	28,696,843

CHIMP: Charitable Impact Foundation (Canada)

Notes to the financial statements

July 31, 2016

5. Equipment

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer hardware	9,275	8,416	859	1,908

6. Mortgage receivable

The mortgage receivable is measured at amortized cost with a fixed maturity date of October 31, 2016 in the amount of \$19,066,968. The rate of interest is 7% compounded annually with payment due upon maturity.

7. 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. 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 fixed-rate interest bearing financial instruments. Fixed-rate instruments subject the Foundation to 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 donor advised funds pertaining to donated securities are limited to the net proceeds on their disposition. This way, the price risk is contained to the donor's advised fund.

(d) Liquidity risk

The Company'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, 2016, the most significant financial liabilities are the accrued liabilities.

8. Related party balances

During the year, the Foundation paid for technology services of \$2,145,668 (2015 - \$1,544,914) and human resource services of \$1,428,054 (2015 - \$1,028,255) to CHIMP Technologies Inc., a company in which an executive of the Foundation has an equity interest. This transaction was in the normal course of operations and is measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

Contractually, the Technology Service Provider Agreement and Human Resource Service Provider Agreement between the Foundation and CHIMP Technologies Inc. does not permit the Foundation to pay CHIMP Technologies Inc. for services with money given to or held in accounts at CHIMP (donor advised funds).

9. Subsequent event

Subsequent to July 31, 2016, in October 2016, the Foundation signed a modification agreement to extend the maturity date of the mortgage receivable to November 1, 2019 with payment due upon maturity.

CHIMP: Charitable Impact Foundation (Canada)

Notes to the financial statements

July 31, 2016

10. Comparative figures

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