
Financial statements of CHIMP: Charitable Impact Foundation (Canada)

July 31, 2018

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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, 2018, 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, 2018 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 31, 2019

CHIMP: Charitable Impact Foundation (Canada)**Statement of operations**

Year ended July 31, 2018

	Notes	2018 \$	2017 \$
Revenue			
Donations of cash		129,299,430	59,286,480
Donations of publicly-traded securities		18,899,827	8,476,751
Donations of private securities		27,478,438	—
Donations of cryptocurrency	5	2,291,706	—
Donations of insurance policies		104,175	—
Donations of mortgage loans		281,281	—
Interest and other investment income		1,834,653	1,636,560
Gain on sale of land	7	1,189,233	4,105
Gain on sale of cryptocurrency	5	634,670	—
Recovery of life insurance premium paid		—	24,493
		182,013,413	69,428,389
Expenses			
Disbursements to charities	10	130,874,268	43,821,381
Technology and human resource services	12	12,773,997	3,483,910
Insurance	4	524,189	22,900
Loss on revaluation of publicly-traded securities	6	312,473	3,375,633
Investment management fees		267,390	58,844
Bank, interest and credit card processing charges		181,442	171,309
Contractor fees		142,615	134,804
Legal and professional		174,633	61,309
Office and administration		21,075	15,307
Property taxes		12,006	29,211
Amortization		387	472
Payroll		—	47,768
		145,284,475	51,222,848
Excess of revenues over expenses		36,728,938	18,205,541

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

CHIMP: Charitable Impact Foundation (Canada)

Statement of financial position

As at July 31, 2018

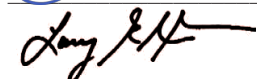
	Notes	2018 \$	2017 \$
Assets			
Current assets			
Cash	3	28,367,316	12,792,602
Amounts recoverable from government authorities		344,319	39,286
Prepaid expenses		198,325	20,715
Current portion of mortgages receivable	9	337,958	323,909
Publicly-traded securities	6	32,094,333	17,991,921
		61,342,251	31,168,433
Land	7	743,251	1,548,275
Private securities	6	38,898,281	10,984,843
Mortgages receivable	9	5,827,218	26,214,958
Cash surrender value of life insurance policies	4	199,094	74,819
Equipment	8	—	387
		107,010,095	69,991,715
Liabilities			
Current liabilities			
Accrued liabilities		146,977	80,995
Due to related party	12	329,639	106,179
		476,616	187,174
Net assets			
		106,533,479	69,804,541
		107,010,095	69,991,715
Subsequent event	7		

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

Approved on behalf of the Board



Director



Director

CHIMP: Charitable Impact Foundation (Canada)**Statement of changes in net assets**

Year ended July 31, 2018

	Unrestricted	2018 Total	2017 Total
	\$	\$	\$
Balance, beginning of the year	69,804,541	69,804,541	51,599,000
Excess of revenues over expenditures	36,728,938	36,728,938	18,205,541
Balance, end of the year	106,533,479	106,533,479	69,804,541

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

CHIMP: Charitable Impact Foundation (Canada)

Statement of cash flows

Year ended July 31, 2018

	Notes	2018 \$	2017 \$
Operating activities			
Excess of revenues over expenditures for the year		36,728,938	18,205,541
Items not involving cash			
Amortization	8	387	472
Donations of mortgage		(281,281)	—
Donations of cryptocurrency	5	(2,291,706)	—
Donations of insurance policies	4	(104,175)	—
Donations of private securities		(27,478,438)	—
Donations of publicly-traded securities		(18,899,827)	(8,476,751)
Loss on revaluation of publicly-traded securities	6	312,473	3,375,633
Net change in cash surrender value of insurance policies		490,461	(24,493)
Gain on sale of land	7	(1,189,233)	(4,105)
Gain on sale of cryptocurrency	5	(634,670)	—
		(13,347,071)	13,076,297
Changes in non-cash working capital balances			
Amounts recoverable from government authorities		(305,033)	133,698
Accrued liabilities		65,982	(875,858)
Prepaid expenses		(177,610)	12,998
Due to related party	12	223,460	—
		(13,540,272)	12,347,135
Investing activities			
Proceeds from sale of cryptocurrency		2,926,377	—
Proceeds from mortgage receivable		281,281	—
Change in securities net of sales and purchases of securities	6	4,049,942	(1,424,835)
Additions to land		(45,394)	—
Proceeds on sale of land	7	2,039,650	66,924
Payment of life insurance premiums	4	(510,561)	(26,000)
Transfer of mortgage receivable	9	20,065,241	(7,784,380)
Repayment of mortgage receivable	9	308,450	—
		29,114,986	(9,168,291)
Increase in cash during the year		15,574,714	3,178,844
Cash, beginning of year		12,792,602	9,613,758
Cash, end of year		28,367,316	12,792,602

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

CHIMP: Charitable Impact Foundation (Canada)

Notes to the financial statements

July 31, 2018

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 operates a 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 funds in their accounts be allocated to any qualified donee (including all registered charities, registered Canadian amateur athletic associations, municipalities, etc.). Disbursements to qualified donees as requested by donors are ultimately at the discretion of the Foundation.

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) *Land*

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

(b) *Life insurance policies*

The cash surrender value of life insurance policies is accounted for based on the amount that could be realized under the policies if the policies were surrendered at the reporting date. Changes in cash surrender value during the period are recognized as an expense or recovery of insurance premiums paid.

(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. Interest income is recognized in the period in which it is earned. Dividends are recognized when declared by the issuer of the related shares.

(d) *Securities*

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 for equity instruments and at amortized cost for debt instruments 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.

2. Significant accounting policies (continued)

(e) Financial instruments

Initial and subsequent measurement

The Foundation initially measures its financial assets and financial liabilities at fair value. It subsequently measures cryptocurrency and publicly-traded securities at fair value, unlisted shares that are equity instruments at cost less impairment, if any, and all other financial assets and financial liabilities at amortized cost. The financial liabilities measured at amortized cost include accrued liabilities and due to related party.

The Foundation subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for publicly-traded securities that are quoted in an active market, which are measured at fair value. Changes in the fair value of these financial instruments are recognized in income in the period incurred. Financial assets measured at amortized cost on a straight-line basis include cash and advances. Financial liabilities measured at amortized cost on a straight-line basis include accrued liabilities.

Transaction costs

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straightline method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of operations as interest income or expense.

Impairment

For financial assets measured at cost or amortized cost, the Foundation determines whether there are indications of possible impairment. When there is an indication of impairment, and the Foundation determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in income. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss shall be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in income.

(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 fair value of unlisted securities at the donation date, and the assessment of impairment, if any, on financial assets carried at amortized cost, 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.

CHIMP: Charitable Impact Foundation (Canada)

Notes to the financial statements

July 31, 2018

3. Cash

	2018 \$	2017 \$
Operations	589,704	3,012,009
CHIMP funds (donor-advised funds)	27,777,612	9,780,593
	28,367,316	12,792,602

4. Life insurance policies

The aggregate cash surrender value of the Foundation's interest in life insurance policies is \$199,094 (2017 - \$74,819) as at July 31, 2018. During the fiscal year, the Foundation paid acquisition costs and premiums of \$666,590, of which \$176,128 was prepaid as at July 31, 2018. The aggregate death benefit entitlement of the policies is \$4,440,767 at July 31, 2018.

5. Cryptocurrency

On December 29, 2017, the Foundation received a donation of 2,500 Ethereum valued at \$2,291,706. This cryptocurrency was sold to a third party for total proceeds of \$2,926,359 and the Foundation realized a gain of \$634,670.

6. Securities

	Cost \$	Fair value \$	2018 Net book value \$	2017 Net book value \$
Unlisted shares	38,463,281	—	38,463,281	10,984,843
Publicly-traded securities	—	32,094,333	32,094,333	17,991,921
Private equity fund	435,000	—	435,000	—
	38,898,281	32,094,333	70,992,614	28,976,764
Less current portion	—	32,094,333	32,094,333	17,991,921
	38,898,281	—	38,898,281	10,984,843

Publicly-traded securities are comprised of donated securities and securities purchased from cash held in funds donated for the purpose of purchasing securities. Unlisted shares are comprised of donated securities held in funds.

CHIMP: Charitable Impact Foundation (Canada)

Notes to the financial statements

July 31, 2018

6. Securities

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

The Foundation is subject to equity price risk (see Note 11 (c) for further information) pending the sale of securities, but this risk is contained in the individual fund. Funds are not permitted to trade on margin, or engage in any other trading activities which may impact the value of another fund or any other assets of the Foundation.

Upon disposition, the donor may request disbursement to respective qualified donees based on the net proceeds.

7. Land

In fiscal 2018, the Foundation sold 15 properties classified as land to a third party for total proceeds of \$2,071,848 and realized a gain of \$1,202,596.

Subsequent to July 31, 2018, the Foundation entered into unconditional contracts for sale of land for proceeds of \$1,997,786 and expects to realize an aggregate gain on disposal of \$1,667,885.

8. Equipment

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
	\$	\$	\$	\$
Computer hardware	9,275	(9,275)	—	387

9. Mortgages receivable

	2018	2017
	\$	\$
Mortgage receivable bearing interest at 4% compounded annually, payable in monthly instalments of \$48,079.72. Final payment is due on June 1, 2032.	6,165,176	6,473,626
Mortgage receivable with a fixed maturity date of November 1, 2019 in the amount of \$19,066,968. The rate of interest is 7% compounded annually with payment due upon maturity	—	20,065,241
Less current portion	6,165,176 337,958	26,538,867 323,909
	5,827,218	26,214,958

On January 22, 2018, the Foundation transferred a mortgage receivable with outstanding principal and accrued interest of \$20,726,405 at the date of transfer, to a qualified donee.

CHIMP: Charitable Impact Foundation (Canada)

Notes to the financial statements

July 31, 2018

10. Disbursements to charities

Disbursements to charities of \$130,874,268 includes a \$74,510,000 donation to a registered charity, for the purposes of debt reduction.

11. 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 and mortgages receivable. 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 funds pertaining to securities are limited to the net proceeds on their disposition. As such, the price risk is contained to the individual fund.

(d) *Liquidity risk*

The Foundation'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, 2018, the most significant financial liabilities are the accrued liabilities and related party payables.

12. Related party transactions and balances

The Foundation board focuses extensively on strategy, governance, compliance and risk management and works with aligned third parties to optimize management of its operations. During the year, the Foundation acquired technology transaction services of \$7,302,041 (\$2,091,745 in 2017) and human resource and business services of \$5,471,956 (\$1,392,394 in 2017) from CHIMP Technology Inc., a company in which an unpaid executive of the Foundation has an equity interest. All services were acquired in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed upon by the parties.

CHIMP: Charitable Impact Foundation (Canada)

Notes to the financial statements

July 31, 2018

12. Related party balances (continued)

Contractually, all agreements between the Foundation and CHIMP Technology Inc. do not permit or require the Foundation to pay CHIMP Technology Inc. for services with funds donated to or held in funds. Funds with the Foundation are protected from financial liability that could arise as a result of the Foundation's relationship with CHIMP Technology Inc.

13. Comparative figures

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