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**Financial Statements**

# **Hadley Family Foundation**

**For the Year Ended September 30, 2020**

**Unaudited - See Review Engagement Report**

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## **INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT**

### **TO THE DIRECTORS OF THE Hadley Family Foundation**

#### **Report on the Financial Statements**

We have reviewed the accompanying financial statements of the Hadley Family Foundation that comprise the statement of financial position as at September 30, 2020, 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.

#### **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.

#### **Practitioner's Responsibility**

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

#### **Other Matter**

The financial statements for the period from incorporation on November 15, 2018 to September 30, 2019 were not audited or reviewed.

#### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects the financial position of Hadley Family Foundation as at September 30, 2020, 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.

*Forbes Andersen LLP*

Chartered Professional Accountants  
Licensed Public Accountants

January 29, 2021  
Toronto, Ontario

# Hadley Family Foundation

Statement of Financial Position as at September 30, 2020

Unaudited - See Review Engagement Report

	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 22,446	\$ 5,723
Sales tax recoverable	3,871	-
Loan receivable (note 4)	45,442	15,813
Portfolio investments (note 6)	4,637,026	4,689,226
	<u>\$ 4,708,785</u>	<u>\$ 4,710,762</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 7,000	\$ 4,250
Due to related party (note 9)	23,738	-
	<u>30,738</u>	<u>4,250</u>
<b>Fund Balances</b>		
Operating	25,047	53,512
Endowed	4,653,000	4,653,000
	<u>4,678,047</u>	<u>4,706,512</u>
	<u>\$ 4,708,785</u>	<u>\$ 4,710,762</u>

The accompanying notes form an integral part of these financial statements.

# Hadley Family Foundation

Statement of Changes in Fund Balances

For the year ended September 30, 2020

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	2020			2019 <sup>(1)</sup>
	Endowed Fund	Operating Fund	Total	Total
<b>Revenues</b>				
Fund additions	\$ -	\$ -	\$ -	\$ 4,653,000
Investment income	184,803	-	184,803	68,930
	184,803	-	184,803	4,721,930
<b>Expenses</b>				
Administration	-	79,223	79,223	15,418
<b>Income (loss) for year before grant disbursements</b>	184,803	(79,223)	105,580	4,706,512
Grants	-	(134,045)	(134,045)	-
<b>Income (loss) for year</b>	184,803	(213,268)	(28,465)	4,706,512
<b>Fund balances, beginning of year</b>	4,653,000	53,512	4,706,512	-
Transfers between funds	(184,803)	184,803	-	-
<b>Fund balances, end of year</b>	<u>\$ 4,653,000</u>	<u>\$ 25,047</u>	<u>\$ 4,678,047</u>	<u>\$ 4,706,512</u>

(1) For the period from incorporation on November 15, 2018 to September 30, 2019.

The accompanying notes form an integral part of these financial statements.

# Hadley Family Foundation

Statement of Changes in Cash Flows

For the year ended September 30, 2020

Unaudited - See Review Engagement Report

	2020	2019 <sup>(1)</sup>
<b>Cash Flows from (used in) Operating Activities</b>		
<b>Income (loss) for years</b>	\$ (28,465)	\$ 4,706,512
Changes in non-cash operating working capital:		
Accounts payable and accrued liabilities	2,750	4,250
Due to related party	23,738	-
Sales tax recoverable	(3,871)	-
	<u>(5,848)</u>	<u>4,710,762</u>
<b>Cash Flows from (used in) Investing Activities</b>		
Loan receivable	(29,629)	(15,813)
Net change in investments	<u>52,200</u>	<u>(4,689,226)</u>
	<u>22,571</u>	<u>(4,705,039)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	16,723	5,723
<b>Cash and Cash Equivalents - beginning of year</b>	<u>5,723</u>	<u>-</u>
<b>Cash and Cash Equivalents - end of year</b>	<u>\$ 22,446</u>	<u>\$ 5,723</u>

(1) For the period from incorporation on November 15, 2018 to September 30, 2019.

The accompanying notes form an integral part of these financial statements.

# Hadley Family Foundation

Notes to the Financial Statements

For the year ended September 30, 2020

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## 1. Purpose of the Organization

The Hadley Family Foundation (the "Foundation") is a non-profit corporation established to give back to local communities and steward inter-generational philanthropy. In the course of executing its mandate, the Foundation supports other community organizations. The Foundation was incorporated on November 15, 2018 under Part II of the Canada Corporations Act and was continued under the Canada Not-for-Profit Corporations Act on December 20, 2018. The Foundation qualifies for tax-exempt status as a registered charity under section 149(1) of the Income Tax Act (Canada).

## 2. Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The accounting policies set out in the following accounting policy notes have been applied in preparing the financial statements for the year ended September 30, 2020.

## 3. Summary of Significant Accounting Policies

### Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit held at reputable financial institutions in Canada. Cash and investments meeting the definition of cash and cash equivalents that are held for investment purposes rather than operational purposes are classified as portfolio investments.

### Portfolio Investments and Investment Income

Portfolio investments are recorded at fair value. Investment income (loss) consists of interest and dividends received, realized and unrealized capital gains and losses, less fees paid to outside professional portfolio managers.

### Revenue Recognition

Endowed Fund additions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Foundation follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income (loss) consisting of interest, dividends, income distributions from pooled funds, and realized and unrealized capital gains and losses, is recorded in the statement of revenue and expenses and changes in fund balances. Interest income, arising from loans is recognized using the simple interest method.

# Hadley Family Foundation

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For the year ended September 30, 2020

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## 3. Summary of Significant Accounting Policies (continued)

### **Funds**

Donations and funds received are allocated to the various funds which have been established by the Foundation. Allocations among the funds are determined in accordance with specific agreements for each fund:

#### *Endowed Fund*

Amounts placed in the Endowed Fund are considered to be permanent in nature, pursuant to restrictions established at the time that donations are received. Amounts disbursed from the Endowed Fund must meet the criteria related to the purpose for which the Endowed Fund was established.

#### *Operating Fund*

The Operating Fund is funded by the investment income of the Endowment Fund. The administrative expenses of the Foundation, and grants provided by the Foundation are charged to the Operating Fund.

### **Use of Estimates**

The preparation of the financial statements 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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of earnings during the reporting period. Actual results may differ from those reported.

The Foundation's significant estimates include the fair value of its portfolio investments and the recoverability of its loan receivable.

### **Related Party Transactions**

All transactions with related parties are in the normal course of operations and are measured at the exchange amount.

### **Foreign Currency Transactions**

Transactions denominated in foreign currencies are recorded at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Canadian Dollars at the rate of exchange prevailing at the balance sheet date. Unrealized gains and losses on the translation of monetary assets and liabilities are included in the determination of the excess of revenues over expenses for the year.

# Hadley Family Foundation

Notes to the Financial Statements

For the year ended September 30, 2020

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## 3. Summary of Significant Accounting Policies (continued)

### Financial Instruments

#### a) Measurement of financial instruments

The Foundation initially measures its financial instruments at fair value.

The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in earnings for the period in which they occur.

As at September 30, 2020, all of the Foundation's cash and cash equivalents, sales taxes recoverable and portfolio investments are measured at fair value with the Foundation's loan receivable measure at amortized cost.

As at September 30, 2020, all of the Foundation's financial liabilities are measured at amortized cost and include, accounts payable, and accrued liabilities.

#### b) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment at the end of each reporting period. Objective evidence of impairment includes observable data that comes to the attention of the Foundation, including but not limited to the following events: significant financial difficulty of the issuer; bankruptcy or other financial reorganization proceedings.

When there is an indication of impairment, the Foundation determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset. When the Foundation identifies a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it reduces the carrying amount of the asset. The amount of the write-down is recognized in earnings for the period.

When the Foundation identifies a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it reduces the carrying amount of the asset to the highest of the following:

- i) the present value of the cash flows expected to be generated by holding the asset discounted using a current market rate of interest appropriate to the asset;
- ii) the amount that could be realized by selling the asset at the statement of financial position date; and
- iii) the amount the Foundation expects to realize by exercising its rights to any collateral held to secure repayment of the asset net of all costs necessary to exercise those rights.

The carrying amount of the asset is reduced directly or through the use of an allowance account.



# Hadley Family Foundation

Notes to the Financial Statements

For the year ended September 30, 2020

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## 3. Summary of Significant Accounting Policies (continued)

### Financial Instruments (continued)

#### b) Impairment (continued)

A previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously.

#### c) Transaction costs

The entity recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

## 4. Loan Receivable

During the year ended September 30, 2020, the Foundation loaned the Kamoriongo Farmer's Cooperative Society 2,200,000 Kenyan Shillings (\$29,151). During the year ended September 30, 2019, the Foundation loaned the Kamoriongo Farmer's Cooperative Society 1,200,000 Kenyan Shillings (\$15,813). The loan receivable of \$45,442 (2019 - \$15,813) includes interest receivable of \$451 (2019 - \$27). The loan is unsecured, payable on demand, and collects interest at 2% per annum.

## 5. Financial Instruments

### a) Liquidity Risk

Liquidity risk refers to the risk that the Foundation will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation's approach to managing liquidity risk is to try to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient reserves of cash to meet its obligations. As at September 30, 2020, the Foundation had a cash balance of \$22,446 (2019 - \$5,723) to settle accounts payable and accrued liabilities of \$7,000 (2019 - \$4,250). The majority of the Foundation's assets are in investments that are traded in an active market that can be readily liquidated. Most of the Foundation's financial liabilities are subject to normal trade terms of less than 30 days. The Foundation relies on investment income generated to fund its operating expenses.

Market risk is the risk that the fair value of future cash flows from investments will decline because of changes in underlying market factors including equity market prices, market volatility, foreign exchange rates, interest rates and credit risks. The Foundation is exposed to market risk on the entire investment portfolio.

# Hadley Family Foundation

Notes to the Financial Statements

For the year ended September 30, 2020

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## 5. Financial Instruments (continued)

### a) Liquidity Risk (continued)

#### *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will be affected by changes in interest rates. Interest rate risk predominantly impacts fixed-income securities. It is managed through an active asset-allocation and re-balancing process to determine how much of the investment portfolio should be allocated to fixed-income securities and through the active management of the duration of the fixed-income portfolio by professional investment managers engaged by the Foundation.

### b) Market risk

#### *Other price risk*

Other price risk is the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices other than those arising from currency risk or interest rate risk, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

#### *Foreign currency risk*

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument denominated in currencies other than Canadian dollars will fluctuate because of changes in foreign exchange rates. Foreign currency exposure arises from the Foundation's holdings of global investments. As at September 30, 2020 \$598,142 or 13% (2019 - \$nil or nil%) of the investment portfolio was unhedged and subject to foreign currency exposure. The exposure to currency risk is in U.S. dollars. At September 30, 2020, if the Canadian Dollar had strengthened (weakened) 10 percent against the United States Dollar with all other variables held constant the net assets would have been \$114,191 (2019 - \$nil).

The Foundation is exposed to the Kenyan Shilling due to a loan receivable from the Kamoriongo Farmer's Cooperative Society. As at September 30, 2020, \$45,442 (2019 - \$15,813) relating to the loan is subject to foreign exposure. At September 30, 2020, if the Canadian Dollar had strengthened (weakened) 10 percent against the Kenyan Shilling with all other variables held constant the net assets would have been \$3,656 (2019 - \$1,560).

#### *Credit risk*

Credit risk is the risk of financial loss to the Foundation if a counterparty to a financial instrument fails to meet its contractual obligations. Investments in short-term investments and fixed income investments are subject to credit risk. The maximum exposure to credit risk on these instruments is their carrying value.

# Hadley Family Foundation

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## 6. Investments

The asset mix of the investments held by the Foundation are as follows:

	2020		2019	
Cash	\$ 126,086	3 %	\$ 867,710	18 %
Fixed income	576,954	12 %	975,934	21 %
Canadian equities	2,383,403	51 %	616,650	13 %
International equities	598,142	13 %	2,008,024	43 %
Other	952,441	21 %	220,908	5 %
Total	<u>\$ 4,637,026</u>	<u>100 %</u>	<u>\$ 4,689,226</u>	<u>100 %</u>

Other investments include certain alternative investments, including private equity partnerships and investment funds. Portfolio investment income is used to fund the operations of the Foundation. All portfolio investment income is transferred to the Operating Fund. The contribution of \$4,653,000 to the Endowed Fund is considered to be permanent in nature, pursuant to restrictions established at the time that the donation was made.

## 7. Transfers

Transfers represent reallocations within the fund balances of the Foundation. Transfers from the Endowed Fund to the Operating Fund are made to allow for future granting and to cover the administrative expenses of the Foundation.

## 8. Endowed Fund

The Endowed Fund includes portfolio investments of \$4,653,000 (2019 - \$4,653,000). The Endowed Fund is considered to be permanent in nature, pursuant to restrictions established at the time that donations are received.

## 9. Related Party Transactions

During the year ended September 30, 2020, the Foundation had payments relating to legal fees \$23,738 (2019 - \$nil) made on behalf of the Foundation by a related organization. The Foundation and this organization have a board member in common. The amount due to related parties has no set repayment terms and is non-interest bearing.

## 10. Income Taxes

The Foundation is a registered charitable foundation and is therefore exempt from income taxes per section 149(1)(f) of the Income Tax Act (Canada). In order to maintain its status as a registered charitable foundation under the Income Tax Act (Canada), the Foundation must meet certain requirements under the Income Tax Act (Canada).

# Hadley Family Foundation

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## 11. Covid-19

Since January 1, 2020, the spread of Covid-19 has severely impacted many local economies around the globe. In many countries, including Canada, organizations and businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of nonessential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown. 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 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.