

Financial statements

Max Bell Foundation

December 31, 2018

Independent auditor's report

To the Members of the
Max Bell Foundation

Opinion

We have audited the accompanying financial statements of the **Max Bell Foundation** [the "Foundation"], which comprise the statement of financial position as at December 31, 2018 and the statements of operations and changes in net assets and the statement of cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial present fairly, in all material respects, the financial position of the Foundation as at December 31, 2018, and results of its operations and its cash flows for the year 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 audit of the financial statement* section of our report. We are independent of the Foundation in accordance with 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 audit 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 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 responsibility

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 matter, 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.

Calgary, Canada
May 17, 2019

Ernst & Young LLP

Chartered Professional Accountants



Max Bell Foundation

Statement of financial position

[in thousands of dollars]

As at December 31

	2018	2017
	\$	\$
ASSETS		
Current		
Cash	13	405
Accounts receivable and prepaid expenses	82	83
Total current assets	95	488
Investments [note 4]		
Shares	49,584	55,287
Bonds	19,462	19,226
Alternative - Limited Partnership	4,764	2,682
Alternative - Social Impact Bond	199	82
Alternative - Immigrant Access Fund Canada	250	—
Total investments	74,259	77,277
Capital assets, net [note 5]	163	55
	74,517	77,820
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued charges	133	130
Current portion of long-term debt [note 6]	15	—
Deferred lease inducement [note 7]	38	—
	186	130
Long term		
Long-term debt [note 6]	50	—
Total payables	236	130
Commitments [note 8]		
Net assets		
Contributed capital	15,854	15,854
Surplus	58,427	61,836
Total net assets	74,281	77,690
	74,517	77,820

See accompanying notes

On behalf of the Board:

Director

Director

Max Bell Foundation

Statement of operations

[in thousands of dollars]

Year ended December 31

	2018	2017
	\$	\$
REVENUE (NET)		
Interest	403	435
Dividends	3,028	1,581
Other revenue	14	14
Unrealized (loss) gain on investments <i>[note 4]</i>	(4,711)	4,078
Realized gain on sale of investments <i>[note 4]</i>	1,211	2,033
	<u>(55)</u>	<u>8,141</u>
EXPENSES		
Grants <i>[schedule]</i>	1,881	1,997
Charitable projects <i>[schedule]</i>	276	220
Grant administration	634	648
Investment management and other expenses <i>[note 5]</i>	563	696
	<u>3,354</u>	<u>3,561</u>
(Deficit) excess of revenue over expenses	<u>(3,409)</u>	<u>4,580</u>

See accompanying notes

Max Bell Foundation

Statement of changes in net assets

[in thousands of dollars]

	Contributed capital	Surplus	Total
	\$	\$	\$
Balance, December 31, 2016	15,854	57,256	73,110
Excess of revenue over expenses	—	4,580	4,580
Balance, December 31, 2017	15,854	61,836	77,690
(Deficit) excess of revenue over expenses	—	(3,409)	(3,409)
Balance, December 31, 2018	15,854	58,427	74,281

See accompanying notes

Max Bell Foundation

Statement of cash flows

[in thousands of dollars]

Year ended December 31

	2018	2017
	\$	\$
OPERATING ACTIVITIES		
(Deficit) excess of revenue over expenses	(3,409)	4,580
Add (deduct) amounts not involving cash		
Unrealized loss (gain) on investments	4,711	(4,079)
Realized gain on sale of investments	(1,211)	(2,033)
Depreciation	42	20
	<u>133</u>	<u>(1,512)</u>
Net change in non-cash working capital related to operations	5	—
Cash provided by (used in) operating activities	<u>138</u>	<u>(1,512)</u>
INVESTING ACTIVITIES		
Additions to capital assets	(150)	(33)
Purchase of investments <i>[note 4]</i>	(4,459)	(14,902)
Proceeds from disposal of investments <i>[note 4]</i>	3,976	16,465
Cash (used in) provided by investing activities	<u>(633)</u>	<u>1,530</u>
FINANCING ACTIVITIES		
Deferred lease inducement	38	—
Issuance of long term debt	65	—
Cash provided by financing activities	<u>103</u>	<u>—</u>
Net (decrease) increase in cash for the year	(392)	18
Cash, beginning of year	405	387
Cash, end of year	<u>13</u>	<u>405</u>

See accompanying notes

Schedule of grant payments

[in thousands of dollars]

Year ended December 31

	2018	2017
	\$	\$
ACTUA	—	1
Agora Foundation	—	1
Barth Syndrome Foundation of Canada	5	5
C.D. Howe Institute	6	13
Calgary Chamber Voluntary Organization	1	1
Calgary Senior's Resource Society	—	7
Canada West Foundation	100	82
Canadian Environmental Grantmakers' Network	5	5
Canadian Institute for Advanced Research	75	75
Canadian Mental Health - Nova Scotia	40	60
Canadian Mental Health - Calgary	—	10
Canada Women's Foundation	5	5
Centre for Addictions & Mental Health Foundation	71	—
Centre for Suicide Prevention	20	—
Concordia University	20	—
Curtain Razors Theatre	—	10
Dalhousie University	—	140
Governors of the University of Alberta (The)	(6)	12
Imagine Canada	40	10
Institute for Work and Health	—	41
Lethbridge School District #51	—	9
MacDonald-Laurier Institute	27	33
Massey College	—	5
McGill University	101	129
McGill University - Annual Grant	750	750
McMaster University	93	95
Miistakis Institute for the Rockies	—	75
Nature Conservancy of Canada	77	1
Pamsel Case Foundation	8	2
Philanthropic Foundations Canada	12	11
Phoenix Residential Society	4	—
Policy Wise for Children & Families	10	—
Pollution Probe Foundation	45	45
Public Policy Forum	2	1
Renfrew Educational Services FDD	5	—
Sage Hill Writing Experience Inc.	—	10
Sterling Lifestyle solutions Inc.	3	—
Street Worker's Advocacy Project	1	—
Study School Foundation (The)	3	2
Teach for Canada	178	—
University of Alberta	10	—
University of Calgary	115	122
University of Toronto	—	5
University of Victoria	3	2
Victoria Hospice & Palliative Care	2	3
Western University	5	—
Windmill Microlending	25	—
	1,861	1,778

See accompanying notes

Schedule of charitable projects

[in thousands of dollars]

Year ended December 31

	2018	2017
	\$	\$
Public Policy Training Institute	147	144
PPTI - Inter Faculty Event	1	—
Advocacy Handbook	4	30
Learning Event	—	46
SPC Development Evaluation	10	—
Senior Fellow - University of Calgary	25	—
Senior Fellow - University of British Columbia	31	—
Partner Network Event	31	—
Policy Forward Event	27	—
	276	220

See accompanying notes

Max Bell Foundation

Notes to financial statements

[in thousands of dollars]

December 31, 2018

1. Basis of operation

Max Bell Foundation [the "Foundation"] is established exclusively for charitable purposes. Its mission is to encourage the development of innovative ideas that impact public policies and practices with an emphasis on health and wellness, education, and the environment. The current strategic priority is to support projects that educate Canadians about public policy alternatives regarding health, education and the environment.

2. Summary of significant accounting policies

The financial statements of the Foundation have been prepared in accordance with Part III of the Chartered Professional Accountants of Canada Handbook – Accounting Standards for Not-for-Profit Organizations, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and include the significant accounting policies described hereafter.

Investments

Investments in shares, bonds and limited partnership units that are quoted in an active market, acquired by the Foundation are recorded at fair market value, and the net change in unrealized market value for the year is reflected in the statement of operations. The Foundation's investments in a social impact bond is initially recorded at its fair market value and is subsequently measured at cost, net of any provisions for impairment.

Capital assets

Capital assets are recorded at cost less accumulated depreciation. The Foundation provides for depreciation using the declining balance method at rates designed to depreciate the cost of the capital assets over their estimated lives. Tenant improvements is amortized over five years. The annual depreciation rates are as follows:

Furniture	20%
Telecom equipment	30%
Computer equipment	55%
Computer software	50%
Tenant improvements	Straight line

Max Bell Foundation

Notes to financial statements

[in thousands of dollars]

December 31, 2018

Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Dividends are recorded as income on the record date and interest is recorded when earned. Realized gains and losses on investment sales are calculated on the average cost basis. Unrealized gains and losses represent the change in market value since the last reporting period.

Grants

Grants are recorded when disbursed.

Expenses

Expenses are allocated to grant administration and investment management and other expenses based on an estimate of expenses incurred applicable to each category.

Foreign currency translation

Foreign investment purchases, sales and income are recorded in Canadian dollars at exchange rates in effect at the transaction date. Foreign-denominated investments and accrued investment income are translated at year-end exchange rates. The exchange differences arising from this translation are included in the statement of operations.

Financial instruments

Financial instruments, including cash, accounts receivable and accounts payable and accrued charges, are initially recorded at their fair value and are subsequently measured at amortized cost, net of any provisions for impairment.

Max Bell Foundation

Notes to financial statements

[in thousands of dollars]

December 31, 2018

3. Charitable Status

The Foundation is a registered charity designated as a private foundation and, while registered, is exempt from income taxes. As part of maintaining its registration, the Foundation must meet an annual Disbursement Quota. The Foundation has amounts carried forward from prior years for a total disbursement excess as at December 31, 2018 of approximately \$1,017. The Disbursement Quota for the fiscal year ending December 31, 2019 will be approximately \$2,656.

4. Investments

	2018			2017	
	Shares	Bonds	Alternative Investments	Total	
	\$	\$	\$	\$	
Balance, beginning of year	55,287	19,226	2,764	77,277	72,728
Purchase of investments	2,556	392	1,510	4,458	14,902
Proceeds from disposal of investments	(3,976)	-	-	(3,976)	(16,465)
Gain on sale of investments	1,211	-	-	1,211	2,033
Adjustments to market value	(5,494)	(156)	939	(4,711)	4,079
Balance, end of year	49,584	19,462	5,213	74,259	77,277

Max Bell Foundation

Notes to financial statements

[in thousands of dollars]

December 31, 2018

Shares

	2018		2017	
	Market value	Cost	Market value	Cost
	\$	\$	\$	\$
Canadian	19,811	20,467	24,889	20,783
Foreign	29,773	18,777	30,398	18,670
	49,584	39,244	55,287	39,453

The Foundation's equity investments are held as portfolio investments and are generally readily marketable. Investments are limited to shares that are publicly traded on a recognized securities market. Any exceptions require Board of Directors approval prior to their purchase. As at December 31, 2018, all equity investments were publicly traded on a recognized exchange.

Bonds

The Foundation's investment managers have invested in bonds and pooled bond funds. As at December 31, 2018, the Foundation held bonds at cost of \$20,642 [2017 - \$20,251] and a market value of \$19,462 [2017 - \$19,226].

Alternative Investments

Alternative investments may include units in hedge funds, private equity, infrastructure, real estate pooled funds or social impact bonds. These funds are offered by prospectus or offering memorandum, and by allowable investment structures for private foundations in Canada, including limited partnerships. They have been approved by the Board of Directors prior to investment. Alternative Investments had a cost of \$4,214 [2017 - \$2,703] and a market value of \$5,213 [2017 - \$2,764].

Credit risk

Credit risk arises from the potential for an investee to fail or for a counterparty to default on its contractual obligations to the Foundation. The Foundation limits the credit risk by dealing with counterparties that are considered to be high quality.

Max Bell Foundation

Notes to financial statements

[in thousands of dollars]

December 31, 2018

Interest rate risk

Interest rate risk refers to the fair value of future cash flows of an investment due to fluctuations in interest rates. The Foundation's interest-bearing investments are exposed to interest rate risk. The most significant exposure to interest rate risk is investment in bonds.

Other price risk

Other price risk is the risk that the fair value of an investment will fluctuate because of changes in market prices [other than those arising from foreign currency or interest rate risk], whether those changes are caused by factors specific to the individual investments or factors affecting all securities traded in the market.

Foreign currency risk

Foreign currency exposure arises from the Foundation's foreign equity holdings. As at December 31, 2018, total foreign equity holdings are 46.51% [December 31, 2017 – 42.8%] of the Foundation's investments based on market value.

5. Capital assets

	2018		
	Cost	Accumulated depreciation	Net book value
	\$	\$	\$
Furniture	62	48	14
Telecom equipment	8	8	-
Computer equipment	62	57	5
Computer software	91	75	16
Art	11	-	11
Tenant improvement	138	21	117
	372	209	163

Max Bell Foundation

Notes to financial statements

[in thousands of dollars]

December 31, 2018

	2017		
	Cost	Accumulated depreciation	Net book value
	\$	\$	\$
Furniture	56	46	10
Telecom equipment	8	8	—
Computer equipment	60	52	8
Computer software	87	62	25
Art	11	—	11
	222	168	54

The amount of depreciation recorded in 2018 included in investment management and other expenses in the statement of operations was \$42 [2017 - \$20].

6. Long-term debt

In October 2017, the Foundation entered into a lease arrangement with the Kahanoff Centre for Charitable Activities [“the Landlord”] for the use of office space, Suite 970, 105 – 12 Avenue SE Calgary, commencing April 1, 2018. Under the terms of the arrangement, the Landlord provided a five-year loan at an interest rate of 3% to complete the cost of certain leasehold improvements. The loan balance outstanding at December 31, 2018 is \$65 [December 31, 2017 – nil] with \$15, being presented as current and the balance as non-current on the statement of financial position. During the year, leasehold improvements of \$117 have been capitalised and included in capital assets as of December 31, 2018.

The Foundation has \$16 in loan principal repayments due to Kahanoff Center in each of the next five years.

7. Lease inducement

As part of the lease arrangement referred to in not 6, the Foundation received a tenant improvement allowance of \$41 from the Landlord to be applied against the cost of the leasehold improvements. The amount has been determined to be inseparable from the lease arrangement and, as a lease inducement, to be recognised in income (as an off-set to lease expense) over the period of the lease. At December 31, 2018 \$38 [December 31, 2017; nil] has been recorded as a deferred lease inducement on the statement of financial position and \$3 has been recorded in the statement of operations.

Max Bell Foundation

Notes to financial statements

[in thousands of dollars]

December 31, 2018

8. Commitments

(i) *Grants*

The Foundation has approved grants to fund projects, other than McGill University, aggregating \$2,017 payable in the years ending December 31 as follows:

	\$
2019	1,479
2020	348
2021	190
	<u>2,017</u>

Payment of some of these commitments is subject to certain terms and conditions, which must be fulfilled by recipients prior to disbursement of the funds.

In addition, and in accordance with the Foundation's letters patent, at least 30% of all grants will be donated to McGill University subject to certain terms and conditions.

(ii) *Investments*

The Foundation has future commitments in relation to certain investments in the amount of \$5,035.

(iii) *Operating lease*

As referred to in note 6, the Foundation has entered into a lease arrangement for the use of office space. The 10-year lease to March 31, 2028 requires minimum annual lease payments of \$27 for the year to December 31, 2019. Thereafter the lease payments increase by an amount of the consumer price index for each of the following four years, after which the payments will be set at market rental rates, as approved by the lessor.