

Financial statements

Max Bell Foundation

December 31, 2020

Independent auditor's report

To the Members of the
Max Bell Foundation

Opinion

We have audited the financial statements of the **Max Bell Foundation** [the "Foundation"], which comprise the statement of financial position as at December 31, 2020 and the statements of operations and changes in net assets and the statement of cash flows for the year then ended, and notes to the financial statements, including 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 the Foundation as at December 31, 2020, and its financial performance 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 audit of the financial statements* 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 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 responsibility 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.

Calgary, Canada
May 13, 2021

Ernst & Young LLP

Chartered Professional Accountants



Max Bell Foundation

Statement of financial position

[in thousands of dollars]

As at December 31

	2020	2019
	\$	\$
ASSETS		
Current		
Cash	314	302
Accounts receivable and prepaid expenses	73	179
Total current assets	387	481
Investments [note 4]		
Shares	56,989	54,351
Bonds	19,754	19,926
Alternative - Limited Partnership	10,115	8,021
Alternative - Social Impact Bond	—	232
Alternative - Immigrant Access Fund Canada	250	250
Total investments	87,108	82,780
Capital assets, net [note 5]	107	138
	87,602	83,399
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued charges	301	275
Current portion of long-term debt [note 6]	15	15
Deferred lease inducement [note 7]	18	27
	334	317
Long term		
Long-term debt [note 6]	20	35
Total payables	354	352
Commitments [note 8]		
Net assets		
Contributed capital	15,854	15,854
Surplus	71,394	67,193
Total net assets	87,248	83,047
	87,602	83,399

See accompanying notes

On behalf of the Board:

Director

Director

Max Bell Foundation

Statement of operations

[in thousands of dollars]

Year ended December 31

	2020	2019
	\$	\$
REVENUE (NET)		
Interest	659	395
Dividends	2,248	1,381
Other revenue	18	15
Unrealized gain on investments [note 4]	3,193	9,449
Realized gain on sale of investments [note 4]	2,030	1,173
	<u>8,148</u>	<u>12,413</u>
EXPENSES		
Grants [schedule]	2,393	2,098
Charitable projects [schedule]	140	258
Grant administration	585	673
Investment management and other expenses [note 5]	829	621
	<u>3,947</u>	<u>3,650</u>
Excess of revenue over expenses	<u>4,201</u>	<u>8,763</u>

See accompanying notes

Max Bell Foundation

Statement of cash flows

[in thousands of dollars]

Year ended December 31

	2020	2019
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses	4,201	8,763
Add (deduct) amounts not involving cash		
Unrealized gain on investments	(3,193)	(9,449)
Realized gain on sale of investments	(2,030)	(1,173)
Depreciation	43	44
	<u>(979)</u>	<u>(1,815)</u>
Net change in non-cash working capital related to operations	132	45
Cash used in operating activities	<u>(847)</u>	<u>(1,770)</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(12)	(19)
Purchase of investments <i>[note 4]</i>	(9,318)	(19,918)
Proceeds from disposal of investments <i>[note 4]</i>	10,213	22,019
Cash provided by investing activities	<u>883</u>	<u>2,082</u>
FINANCING ACTIVITIES		
Deferred lease inducement	(9)	(8)
Repayment of long term debt	(15)	(15)
Cash used in financing activities	<u>(24)</u>	<u>(23)</u>
Net increase in cash for the year	12	289
Cash, beginning of year	<u>302</u>	<u>13</u>
Cash, end of year	<u>314</u>	<u>302</u>

See accompanying notes

Max Bell Foundation

Statement of changes in net assets

[in thousands of dollars]

	Contributed capital	Surplus	Total
	\$	\$	\$
Balance, December 31, 2018	15,854	58,430	74,284
Excess of revenue over expenses	—	8,763	8,763
Balance, December 31, 2019	15,854	67,193	83,047
Excess of revenue over expenses	—	4,201	4,201
Balance, December 31, 2020	15,854	71,394	87,248

See accompanying notes

Schedule of grant payments

[in thousands of dollars]

Year ended December 31

	2020	2019
	\$	\$
Barth Syndrome Foundation of Canada	5	5
C.D. Howe Institute	89	21
Calgary Chamber Voluntary Organization	—	1
Calgary Emergency Women's Shelter	—	21
Canada West Foundation	41	50
Canadian Environmental Grantmakers' Network	—	5
Canadian Institute for Advanced Research	115	70
Canadian Mental Health - Nova Scotia	—	30
Canadian Red Cross	30	—
Canada Women's Foundation	—	—
Centraide Quebec	50	—
Centre for Addictions & Mental Health Foundation	89	88
Centre for Suicide Prevention	60	63
Child Welfare League	15	—
Children's Cottage Society	5	—
CIVIX	—	140
Concordia University	—	—
Dalhousie University - Faculty of Health Professionals	—	10
Dalhousie University - Faculty Services	—	110
Environment Funders Canada	5	—
Food Banks Canada	30	—
Governors of the University of Alberta (The)	—	—
Headwater Learning Foundation	70	75
Imagine Canada	—	40
Indspire - Indigenous Education	—	10
Institute for Research on Public Policy	32	—
Kidney Foundation of Southern Alberta	—	14
MacDonald-Laurier Institute	5	—
McGill University	8	98
McGill University - Annual Grant	750	750
McMaster University	—	23
Miistakis Institute for the Rockies	—	3
Momentum	73	1
Muttart Foundation	12	—
Nature Conservancy of Canada	49	—
Pamsel Case Foundation	—	—
Philanthropic Foundations Canada	18	34
Phoenix Residential Society	2	2
Policy Wise for Children & Families	—	—
Pollution Probe Foundation	5	5
Public Policy Forum	2	—
Renfrew Educational Services FDD	—	—
Royal Winnipeg Ballet	—	5

Schedule of grant payments

[in thousands of dollars]

Year ended December 31

	2020	2019
	\$	\$
Ryerson University	62	45
Sagesse Domestic Violence Prev.	95	—
Social Research and Demonstration Corp.	40	—
Sterling Lifestyle solutions Inc.	—	—
Street Worker's Advocacy Project	—	—
Study School Foundation (The)	2	2
Teach for Canada	—	123
The Burns Memorial Fund for Children	2	—
The Natural Step (Canada) Inc.	70	—
United Way - Regina	15	3
United Way Alberta Capital Region	15	—
United Way Halifax	50	—
United Way Halton & Hamilton	6	—
United Way of Calgary and Area	23	—
United Way of East Ontario	7	—
United Way of Lethbridge & South Western Alberta	12	—
United Way of Saskatoon	12	—
United Way of Winnipeg	30	—
United Way Southern Interior BC	20	—
United Way Toronto	31	—
United Way Waterloo	6	—
University of Alberta	5	5
University of British Columbia - Help	158	90
University of British Columbia - Kelowna	63	32
University of British Columbia - Okanagan	—	22
University of British Columbia - Nursing	23	—
University of Calgary - Nursing	—	15
University of Calgary	—	58
University of Victoria	3	2
University of Waterloo	50	—
Victoria Hospice & Palliative Care	3	2
Vancouver Foundation	30	—
Western University	—	—
Windmill Microlending	—	25
	2,393	2,098

See accompanying notes

Schedule of charitable projects

[in thousands of dollars]

Year ended December 31

	2020	2019
	\$	\$
	<hr/>	<hr/>
Public Policy Training Institute	83	138
PPTI - Inter Faculty Event	—	9
Advocacy Handbook	—	—
McGill School Public Policy Evaluation Project	19	8
SPC Development Evaluation	—	16
Senior Fellow - University of Calgary	25	28
Senior Fellow - University of British Columbia	10	31
Partner Network Event	—	—
Policy Forward Event	3	28
	<hr/> 140 <hr/>	<hr/> 258 <hr/>

See accompanying notes

Max Bell Foundation

Notes to the financial statements

[in thousands of dollars]

December 31, 2020

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 the financial statements

[in thousands of dollars]

December 31, 2020

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 the financial statements

[in thousands of dollars]

December 31, 2020

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, 2020 of approximately \$1,515. The Disbursement Quota for the fiscal year ending December 31, 2021 will be approximately \$2,977.

4. Investments

	2020			2019	
	Shares	Bonds	Alternative Investments	Total	
	\$	\$	\$	\$	
Balance, beginning of year	54,351	19,926	8,503	82,780	74,259
Purchase of investments	6,985	653	1,680	9,318	19,918
Proceeds from disposal of investments	(8,621)	(1,150)	(442)	(10,213)	(22,019)
Gain (loss) on sale of investments	2,048	(7)	(11)	2,030	1,173
Adjustments to market value	2,226	332	635	3,193	9,449
Balance, end of year	56,989	19,754	10,365	87,108	82,780

Max Bell Foundation

Notes to the financial statements

[in thousands of dollars]

December 31, 2020

Shares

	2020		2019	
	Market value \$	Cost \$	Market value \$	Cost \$
Canadian	7,960	5,654	16,122	12,640
Foreign	49,029	30,436	38,229	23,037
	56,989	36,090	54,351	35,677

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, 2020, 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, 2020, the Foundation held bonds at cost of \$20,074 [2019 - \$20,578] and a market value of \$19,754 [2019 - \$19,926].

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 \$8,160 [2019 - \$6,917] and a market value of \$10,365 [2019 - \$8,503].

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 high quality.

Max Bell Foundation

Notes to the financial statements

[in thousands of dollars]

December 31, 2020

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, 2020, total foreign equity holdings are 66.04% [December 31, 2019 – 54.22%] of the Foundation's investments based on market value.

5. Capital assets

	2020		
	Cost	Accumulated depreciation	Net book value
	\$	\$	\$
Furniture	75	57	18
Telecom equipment	8	8	-
Computer equipment	62	61	1
Computer software	110	95	15
Art	11	-	11
Tenant improvement	138	76	62
	404	297	107

Max Bell Foundation

Notes to the financial statements

[in thousands of dollars]

December 31, 2020

	2019		Net book value \$
	Cost \$	Accumulated depreciation \$	
Furniture	73	52	21
Telecom equipment	8	8	-
Computer equipment	62	60	2
Computer software	99	85	14
Art	11	-	11
Tenant improvement	138	48	90
	<u>391</u>	<u>253</u>	<u>138</u>

The amount of depreciation recorded in 2020 included in investment management and other expenses in the statement of operations was \$43 [2019 - \$44].

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, 2020 is \$35 [December 31, 2019 - \$50] with \$15, being presented as current and the balance as non-current on the statement of financial position.

The Foundation has \$15 in loan repayments due to Kahanoff Center in each of the next three years.

7. Lease inducement

As part of the lease arrangement referred to in note 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, 2020 \$18 [December 31, 2019 - \$27] has been recorded as a deferred lease inducement on the statement of financial position and \$9 has been recorded in the statement of operations.

Max Bell Foundation

Notes to the financial statements

[in thousands of dollars]

December 31, 2020

8. Commitments

(i) Grants

The Foundation has approved grants to fund projects, other than McGill University, aggregating \$3,012 payable in the years ending December 31 as follows:

	\$
2021	1,334
2022	1,106
2023	572
	<u>3,012</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 \$787.

(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, 2020. 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.

9. COVID-19 Global Pandemic

In March 2020, the World Health Organization announced a global pandemic in relation to the COVID-19 virus. While the pandemic may be expected to have an impact on the future business and operational activity of the Foundation, at the time of reporting, the potential impact is indeterminable as the implications of the virus on the population and broader economy is not yet fully understood.