

Walter and Duncan Gordon Charitable Foundation

Non-consolidated Financial Statements

For the Year Ended December 31, 2021



INDEPENDENT AUDITOR'S REPORT

To the Members of Walter and Duncan Gordon Charitable Foundation

Opinion

We have audited the non-consolidated financial statements of Walter and Duncan Gordon Charitable Foundation (the Foundation), which comprise the non-consolidated statement of financial position as at December 31, 2021, and the non-consolidated 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.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2021, 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 the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the non-consolidated 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 opinion.

Responsibilities of Management and Those Charged with Governance for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated 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 Responsibilities for the Audit of the Non-consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated 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

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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 non-consolidated 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 non-consolidated 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 non-consolidated 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 non-consolidated financial statements, including the disclosures, and whether the non-consolidated 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.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
March 28, 2022
Toronto, Ontario

Walter and Duncan Gordon Charitable Foundation
Non-consolidated Statement of Financial Position
As at December 31, 2021

	2021	2020
Assets		
Current		
Cash	\$ 917,371	\$ 724,556
Sales taxes recoverable	67,882	78,566
Other assets	13,862	14,801
Accounts receivable (Note 5)	487,007	240,067
	1,486,122	1,057,990
Tangible capital assets (Note 3)	31,524	36,618
Long-term investments (Note 4)	76,812,753	71,015,439
	\$ 78,330,399	\$ 72,110,047

Liabilities

Current		
Accounts payable and accrued liabilities	\$ 96,000	\$ 136,778
Deferred program revenue (Note 6)	180,000	204,893
	276,000	341,671

Net Assets

Unrestricted net assets	78,054,399	71,768,376
	\$ 78,330,399	\$ 72,110,047

Commitments (Note 9)

Approved by the Board




Walter and Duncan Gordon Charitable Foundation
Non-consolidated Statement of Operations and Changes In Net Assets
Year Ended December 31, 2021

	2021	2020
Revenue		
Investment income (Note 7)	\$ 8,038,941	\$ 3,902,576
Program grants and sponsorships (Note 6)	876,342	725,090
Other income (Note 5)	253,339	13,627
	9,168,622	4,641,293
Expenses		
Program (Note 8)	2,117,874	2,505,849
General and administrative	409,161	223,891
Investment management and custodial fees	355,564	357,967
	2,882,599	3,087,707
Excess of revenue over expenses for the year	6,286,023	1,553,586
Unrestricted net assets, beginning of year	71,768,376	70,214,790
Unrestricted net assets, end of year	\$ 78,054,399	\$ 71,768,376

Walter and Duncan Gordon Charitable Foundation
Non-consolidated Statement of Cash Flows
Year Ended December 31, 2021

	2021	2020
Cash provided by (used in)		
Operations		
Excess of revenues over expenses for the year	\$ 6,286,023	\$ 1,553,586
Items not affecting cash		
Change in unrealized gains/losses on investments in the year	(5,041,206)	(1,824,014)
Amortization	12,817	11,033
	1,257,634	(259,395)
Changes in non-cash working capital		
Sales taxes recoverable	10,684	17,857
Other assets	939	37,747
Accounts receivable	(246,940)	(85,308)
Accounts payable and accrued liabilities	(40,778)	(59,816)
Deferred program revenue	(24,893)	(21,136)
	956,646	(370,051)
Investing		
Increase in long-term investments - net	(756,108)	(30,948)
Purchase of tangible capital assets	(7,723)	(18,859)
	(763,831)	(49,807)
Net change in cash	192,815	(419,858)
Cash, beginning of year	724,556	1,144,414
Cash, end of year	\$ 917,371	\$ 724,556

1. NATURE OF OPERATIONS

Walter and Duncan Gordon Charitable Foundation (the "Foundation") was incorporated as a not-for-profit organization without share capital under the laws of the Province of Ontario on November 25, 1965. On March 1, 2017, a Certificate of Continuance was issued continuing the Foundation under the provisions of the Canada Not-For-Profit Corporations Act. The Foundation is registered as a private Foundation under the Income Tax Act (Canada) and while registered is exempt from income taxes.

The Foundation undertakes research, leadership development and public dialogue so that public policies in Canada reflect a commitment to collaborative stewardship of our water resources and to a people-driven, equitable and evolving North.

Controlled Not-for-profit Organization

DataStream Initiative ("DataStream") (previously DataStream h2o) was incorporated June 28, 2019 as a not-for-profit organization under the Canada Not-for-Profit Corporations Act. Effective April 1, 2020, DataStream was approved as a Canadian registered charity. The Foundation is the sole member of DataStream. DataStream aims to promote knowledge sharing across watersheds and advance collaborative decision-making so Canadian waters remain healthy for generations to come.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These non-consolidated financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant:

Basis of Accounting

The Foundation follows the deferral method of accounting for contributions. Restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. Financial instruments include cash, accounts receivable, long-term investments and accounts payable and accrued liabilities. Cash is measured at fair value. Equity securities, fixed income securities and mutual funds that are quoted in an active market are measured at fair value. Transaction costs on the acquisition, sale, or issue of financial instruments carried at fair value are expensed as incurred. All other financial instruments are initially recorded at fair value, which approximates cost, and subsequently measured at amortized cost, less any provision for impairment.

Foreign Currency Translation

Cash denominated in foreign currencies is translated into Canadian dollars at the exchange rate in effect at the statement of financial position date.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign Currency Translation (Cont'd)

Foreign currency investments are translated into Canadian dollars to reflect the exchange rate in effect at the statement of financial position date. Investment income received is translated at the month-end exchange rate in effect in the month the funds are received. Translation gains and losses are recorded in the statement of operations and changes in net assets.

Tangible Capital Assets

Tangible capital assets are recorded at cost in the year of acquisition. Tangible capital assets are amortized to operations over their expected useful lives. Computer equipment and furniture and equipment are amortized over 5 years on a straight line basis. Leasehold improvements are amortized over the term of the lease.

When conditions indicate a tangible capital asset is impaired, the carrying value of the tangible capital asset is written-down to the asset's fair value or replacement cost. The write-down of the tangible capital assets is recorded as an expense in the statement of operations. A write-down will not be reversed.

Revenue Recognition

The principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

- i) Gains and losses realized on the disposition of investments are recognized in revenue at the settlement date. Unrealized gains and losses from changes in fair value of investments are recognized in income at the reporting date. Dividends and interest are recorded when earned.
- ii) Grants and restricted program funding related to current expenditures are reflected in the accounts as revenue in the current year. Grants received in the year for expenses to be incurred in the following fiscal year are recorded as deferred program revenue.
- iii) Donations are recognized when received. Donated materials and services which are normally purchased by the Foundation are not recorded in the accounts.

Disbursements

Grants are recorded when funds are disbursed. Fellowships are recorded when approved and recipients have met their obligations required under the terms of the agreements.

Use of Estimates

The preparation of non-consolidated financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, disclosure of contingent assets and liabilities at the date of the non-consolidated financial statements and the reported amounts of revenues and expenses during the period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they become known.

Walter and Duncan Gordon Charitable Foundation
Notes to Non-consolidated Financial Statements
December 31, 2021

3. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2021	Net 2020
Computer equipment	\$ 57,456	\$ 33,470	\$ 23,986	\$ 24,653
Furniture and equipment	24,781	17,243	7,538	11,965
Leasehold improvements	7,530	7,530	-	-
	\$ 89,767	\$ 58,243	\$ 31,524	\$ 36,618

General and administrative expenses include amortization of \$12,816 (2020 - \$11,033).

4. LONG-TERM INVESTMENTS

Long-term investments are composed of assets held in pooled funds with investment managers.

	2021	2020
Cash and cash equivalents	\$ 4,683,772	\$ 9,397,502
Canadian bonds	50,789	2,030,648
Canadian income funds	16,528,291	12,256,312
Canadian equities	13,442,943	8,156,733
Global bonds	6,759,825	5,934,329
Global income funds	10,965,453	12,828,974
Global equities	24,381,680	20,410,941
Total long-term investments	\$ 76,812,753	\$ 71,015,439

5. NON-CONSOLIDATED CONTROLLED ENTITY

Included in accounts receivable is \$280,345 (2020 - \$Nil) due from DataStream. Included in other income is \$231,173 (2020 - \$Nil) in shared services revenue charged to DataStream. These amounts were incurred in the ordinary course of business and are measured at the exchange amount.

These non-consolidated financial statements do not include the financial results of DataStream.

There was no activity in DataStream in fiscal 2020 and no assets, liabilities, revenues or expenses to report.

The year end of DataStream is March 31. Significant financial information at December 31 is as follows:

Walter and Duncan Gordon Charitable Foundation
Notes to Non-consolidated Financial Statements
December 31, 2021

5. NON-CONSOLIDATED CONTROLLED ENTITIES (Cont'd)

	2021	2020
Financial position		
Assets	\$ 431,816	\$ -
Liabilities	430,991	-
Total net assets	\$ 825	\$ -
Total revenue	\$ 413,649	\$ -
Total expenses	412,824	-
Excess (deficiency) of revenue over expenses	\$ 825	\$ -
Cash from		
Operating activities	\$ 355,162	\$ -

6. DEFERRED PROGRAM REVENUE

Continuity of deferred program revenue for the year is as follows:

	2021	2020
Deferred program revenue, beginning of year	\$ 204,893	\$ 226,029
Add: program grants and sponsorships received in the year	851,449	703,954
Less: funding recognized in revenue in the year	(876,342)	(725,090)
Deferred program revenue, end of year	\$ 180,000	\$ 204,893

7. INVESTMENT INCOME

Investment income recorded in revenue is comprised of:

	2021	2020
Realized gains on sales of investments	\$ 1,460,680	\$ 970,382
Change in unrealized gains (losses) from prior year	5,041,206	1,824,014
Dividend and interest income	1,537,055	1,108,180
	\$ 8,038,941	\$ 3,902,576

Walter and Duncan Gordon Charitable Foundation
Notes to Non-consolidated Financial Statements
December 31, 2021

8. PROGRAM GRANTS AND EXPENSES

The Foundation funded the following program areas during the year:

	Grants	Direct expenses	Allocated Expenses	Total 2021	Total 2020
Water Programs	\$ -	\$ 50,007	\$ 890,595	\$ 940,602	\$ 1,023,403
Northern Programs	123,790	268,362	595,700	987,852	1,132,873
Other programs	140,000	14,370	35,050	189,420	349,573
	\$ 263,790	\$ 332,739	\$ 1,521,345	\$ 2,117,874	\$ 2,505,849

Expenses allocated among program areas include salaries and benefits of \$1,404,618 (2020 - \$1,193,672) and general and administrative expenses of \$116,727 (2020 - \$171,153). Expenses are allocated based on the estimated percentage of time spent and use of resources for each program area.

9. COMMITMENTS

The Foundation has committed to disbursing grants to certain organizations in subsequent years. Payment will be made upon compliance by the recipient with certain conditions specified by the Foundation.

The Foundation leases office premises under an operating lease which expires in 2022. The Foundation shares its premises with another organization and is responsible for approximately 65% (2020 - 65%) of the annual lease payments comprised of base rent plus common area charges.

The future minimum payments as at December 31 are as follows:

	Grants	Rent	Total
2022	\$ 36,800	\$ 106,244	\$ 143,044

10. FINANCIAL RISK MANAGEMENT

The fair value of investments denominated in foreign currencies is translated into Canadian dollars at the exchange rate in effect at the non-consolidated statement of financial position date. Pooled fund investments are valued at the unit values supplied by the pooled fund administrators. These values represent the Foundation's proportionate share of the underlying net assets at fair values determined using closing market rates.

The Foundation's investments are exposed to credit risk, market risk and foreign exchange risk. Credit risk represents the financial loss the Foundation would experience if a counterparty to a financial instrument failed to meet its obligations in accordance with the terms and conditions of the contract. The carrying amount of financial assets represents the maximum exposure. Market risk is the risk that changes in market prices or interest rates would affect the Foundation's income or the value of its financial instruments. Foreign currency risk is the risk of changes in market price as a result of exchange rate fluctuations.

10. FINANCIAL RISK MANAGEMENT (Cont'd)

Credit and market risk are managed through a stated investment policy and the Foundation limits the amount which is invested with any one investment manager. In addition, the Foundation performs quarterly reviews of its investment portfolio and investment managers to evaluate their performance.

The Foundation manages its liquidity risk by monitoring actual and projected cash flows to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

The Foundation is exposed to foreign currency risk with respect to its investments in foreign currencies, including the underlying investments of its pooled funds denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

11. COMPARATIVE BALANCES

Certain of the prior year balances have been reclassified to conform with the current year presentation.