Financial statements of
The Lawson Foundation

December 31, 2022

Deloitte LLP
100 Queen Street
Suite 1600
Ottawa ON K1P 5T8
Canada

Tel: 613-236-2442
Fax: 613-236-2195
www.deloitte.ca

Independent Auditor's Report

To the Board of Directors of
The Lawson Foundation

Opinion

We have audited the financial statements of The Lawson Foundation (the "Foundation"), which comprise the statement of financial position as at December 31, 2022, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 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 the 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 Responsibilities 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 GAAS 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 GAAS, 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 1, 2023

The Lawson Foundation
Statement of financial position
As at December 31, 2022

	Notes	2022 $	2021 $
Assets			
Current assets			
Cash		**184,203**	313,332
Accounts receivable		**454,879**	369,001
Prepaid expenses		**30,150**	11,121
		669,232	693,454
Investments	3	**125,026,835**	147,573,332
Impact investments	4	**3,295,631**	3,388,414
Interests in Ray Lawson Trusts	5	**2**	2
Capital assets	6	**84,697**	109,015
		129,076,397	151,764,217
Liabilities			
Accounts payable and accrued liabilities		**339,912**	432,138
Commitments	4 and 7		
Net assets			
Invested in capital assets		**84,697**	109,015
Externally restricted for 10 years	8	**13,276**	16,071
Externally restricted in perpetuity		**4,450,657**	4,450,657
Unrestricted		**124,187,855**	146,756,336
		128,736,485	151,332,079
		129,076,397	151,764,217

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

Approved by the Board

_________________________________, Director

_________________________________, Director

The Lawson Foundation

Statement of revenues and expenses

Year ended December 31, 2022

	Notes	**2022** **$**	2021 $
Revenue			
(Loss)/gain on investments		**(17,156,516)**	14,974,797
Investment earnings		**2,944,157**	3,370,986
Income distributions Ray Lawson Trusts	5	**287,567**	247,471
(Loss)/income from impact investments		**(123,363)**	55,242
		(14,048,155)	18,648,496
Expense			
Grants	11	**6,997,842**	7,207,404
Convening and programming		**520,613**	226,447
Governance		**30,380**	1,582
Administration		**294,680**	315,787
Investment management fees		**679,606**	752,721
Amortization		**24,318**	26,120
		8,547,439	8,530,061
(Deficiency)/excess of revenues over expenses		**(22,595,594)**	10,118,435

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

The Lawson Foundation

Statement of changes in net assets

Year ended December 31, 2022

	Notes	Invested in capital assets $	Externally restricted for 10 years $	Externally restricted in perpetuity $	Unrestricted $	2022 Total $	2021 Total $
Balance, beginning of year		**109,015**	**16,071**	**4,450,657**	**146,756,336**	**151,332,079**	141,213,644
(Deficiency)/excess of revenue over expenses		**(24,318)**	**—**	**—**	**(22,571,276)**	**(22,595,594)**	10,118,435
Amount transferred to unrestricted funds for the year	8	**—**	**(2,795)**	**—**	**2,795**	**—**	—
Investment in capital assets		**—**	**—**	**—**	**—**	**—**	—
Balance, end of year		**84,697**	**13,276**	**4,450,657**	**124,187,855**	**128,736,485**	151,332,079

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

The Lawson Foundation

Statement of cash flows

Year ended December 31, 2022

	2022	2021
	$	$
Operating activities		
(Deficiency)/excess of revenues over expenses	**(22,595,594)**	10,118,435
Items not affecting cash		
Amortization of capital assets	**24,318**	26,120
Realized loss/(gain) on investments	**(306,819)**	(13,099,787)
Impairment on impact investments	**213,361**	—
Unrealized change in market value of investments	**17,463,335**	(1,875,011)
	(5,201,399)	(4,830,243)
Changes in non-cash working capital		
(Increase)/decrease in accounts receivable	**(85,878)**	51,012
(Increase)/decrease in prepaid expenses	**(19,029)**	15,411
(Decrease)/increase in accounts payable and accrued liabilities	**(92,226)**	190,437
	(5,398,532)	(4,573,383)
Investing activities		
Purchase of investments	**(14,484,321)**	(29,863,847)
Sale of investments	**19,213,361**	33,632,864
Repayment of impact investment loans	**540,363**	837,927
	5,269,403	4,606,944
Change in cash during the year	**(129,129)**	33,561
Cash, beginning of year	**313,332**	279,771
Cash, end of year	**184,203**	313,332

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

1. Nature of organization

The Lawson Foundation (the "Foundation") was incorporated without share capital under the Laws of Ontario in 1956 with the objective of supporting charitable purposes. The Foundation is a registered charity and is designated as a private foundation under the Income Tax Act (Canada).

As a result of its registered charity status, the Foundation is exempt from income tax and is able to issue donation receipts for income tax purposes. In order to maintain its registered charity status, the Foundation is required to meet its disbursement quota on an annual basis by distributing sufficient grants to qualified donees and for charitable programming activities.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for Not-for-Profit Organizations and include the following significant accounting policies:

Financial instruments

Financial instruments include cash, investments, accounts receivable and accounts payable.

Initial measurement

Financial assets and financial liabilities originated or exchanged in arm's length transactions are initially recognized at fair value, with the exception of impact investments that are measured at cost, when the Foundation becomes a party to the contractual provisions of the financial instrument. Financial assets and financial liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the Foundation is in the capacity of management, are initially recognized at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. The cost of financial instruments with repayment terms is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. The cost of financial instruments without repayment terms is determined using the consideration transferred or received by the Foundation in the transaction.

Subsequent measurement

All financial instruments are subsequently measured at amortized cost except for the following:

- Publicly traded investments, which are measured at fair value at the balance sheet date. The fair value of listed securities is based on the latest closing price.
- Investments in unlisted securities (impact investments), which are measured at cost less any impairment.

2. Significant accounting policies (continued)

Transaction costs

Transaction costs related to financial instruments subsequently 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 effective interest method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the effective interest method and recognized in net earnings as interest income or expense.

Impairment

With respect to financial assets measured at cost or amortized cost, the Foundation recognizes an impairment loss, if any, in net earnings when there are indicators of impairment, and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to net earnings in the period the reversal occurs.

Revenue recognition

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

Interest income, dividend income and gains/losses on investments are recognized on the accrual basis. Contributions, bequests, and income distributions are recorded as received. Life insurance policies that have named the Foundation as owner/beneficiary are recorded at the cash surrender value of the policy.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is based on the estimated useful lives of the assets at the following rates and methods:

Computer software and hardware	30% declining balance
Furniture and equipment	10 years straight-line
Leasehold improvements	10 years straight-line

Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the asset no longer has any long-term service potential for the Foundation. The amount of the impairment loss is determined as the excess of the carrying value of the assets over any residual value.

2. Significant accounting policies (continued)

Allocation of expenses

Salaries and benefits are allocated to Grants based on estimated time. The remaining expenses are allocated among Grants, Convening and Programming, Governance and Administration based on actual expenses incurred.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and reported amount of revenues and expenses during the reporting period. In particular, the estimates include: the allocation of expenses, the useful life of capital assets, the fair value of investments and the impairment of impact investments recorded at cost and the amount of certain accrued liabilities. Actual results could differ from these estimates.

3. Investments

The Foundation owns units in various equity, bond, and alternative funds, as follows:

	2022		2021	
	Fair value	**Cost**	Fair value	Cost
	$	**$**	$	$
Cash and short-term investments	**160,007**	**160,007**	415,331	415,289
Fixed income				
Canadian	**20,059,037**	**23,083,231**	38,035,714	37,942,598
Global	**—**	**—**		
	20,059,037	**23,083,231**	38,035,714	37,942,598
Equity				
Canadian	**36,607,186**	**33,908,310**	33,574,609	26,336,528
Global	**66,619,663**	**60,934,561**	75,154,492	59,688,637
	103,226,849	**94,842,871**	108,729,101	86,025,165
Alternatives				
Canadian	**854,562**	**889,360**	393,186	395,143
Global	**726,380**	**718,220**	—	—
	1,580,942	**1,607,580**	393,186	395,143
	125,026,835	**119,693,689**	147,573,332	124,778,195

4. Impact investments

Impact investments are investments of assets from the Foundation’s endowment in companies, organizations, and funds with the intention to generate measurable positive social and environmental impact as well as a financial return. The Foundation seeks risk-adjusted, market rates of return wherever possible, but will also accept some below-market returns where there are clearly social or environmental benefits.

4. Impact investments (continued)

	2022	2021
	$	$
Community Forward Pooled Bond Fund Trust	**800,000**	900,000
Innovation Works Community Bond	**250,000**	250,000
InvestEco Sustainable Food Fund II, LP	**242,506**	500,000
JUMP Math Loan	**400,000**	400,000
New Market Funds Affordable Housing Fund I Trust	**353,400**	297,267
New Market Funds Affordable Housing Fund II Trust	**43,160**	—
Raven II Canadian Feeder LP	**29,667**	—
Raven Indigenous Communities Outcomes Inc. Loan	**—**	250,000
Raven Indigenous Impact Fund I LP	**200,425**	126,147
Restoring the Sacred Bond Social Impact Bond	**250,000**	250,000
Trillium Housing Non-Profit Corp.	**250,000**	—
Windmill Microlending Promissory Note	**250,000**	250,000
YMCAs of Québec Alternative Suspension Social Impact Bond	**226,473**	165,000
	3,295,631	3,388,414

The Foundation has subscriptions for future investments of $1,691,008 ($911,586 in 2021), which include:

	$
InvestEco Sustainable Food Fund II	**86,835**
New Market Funds Affordable Housing Fund I Trust	**111,474**
New Market Funds Affordable Housing Fund II Trust	**449,263**
Raven Indigenous Impact Fund I LP	**49,575**
Raven II Canadian Feeder LP	**720,333**
YMCAs of Québec Alternative Suspension Social Impact Bond	**273,528**
	1,691,008

5. Interests in Ray Lawson Trusts

The Foundation is a 25% income beneficiary and a 25% residual beneficiary in two trusts which were created in 1988 to replace two trusts settled by the late Hon. Ray Lawson in 1966. Pursuant to the terms of the trusts, the annual income, if any, is distributed currently to the income beneficiaries, but distribution of assets to residual beneficiaries will not occur until the death of the last surviving grandchild and great-grandchild of the settlor alive on the date of settlement. Since the original interests in the trusts were acquired by the Foundation in 1966 at no consideration, and the distribution of assets will not occur for a considerable number of years, the interests in the trusts have been recorded in these financial statements at a nominal value of $1 each.

6. Capital assets

	Cost $	Accumulated amortization $	2022 Net book value $	2021 Net book value $
Computer software and hardware	**84,128**	**74,361**	**9,767**	13,953
Furniture and equipment	**120,596**	**99,568**	**21,028**	26,689
Leasehold improvements	**161,036**	**107,134**	**53,902**	68,373
	365,760	**281,063**	**84,697**	109,015

7. Grant commitments

As at December 31, the Foundation has multiple grant commitments that are expected to be met in the following years:

	$
2023	3,500,668
2024	1,595,168
2025	100,000
	5,195,836

8. Externally restricted for 10 years

Certain funds contributed to the Foundation are subject to a direction by the donors that the gift, or any property substituted therefore, be held by the Foundation for a period of not less than ten years.

	2022 $	2021 $
Year restriction expires		
2022	**—**	2,795
2023	**2,795**	2,795
2024	**2,795**	2,795
2025	**2,795**	2,795
2026	**2,795**	2,795
2027	**2,096**	2,096
	13,276	16,071

9. Insurance proceeds pledged

The Foundation has been named as beneficiary and owner of a $250,000 term life insurance policy. As at December 31, 2022 and 2021, no amount has been reflected in these financial statements as an asset of the Foundation with respect to this policy, except for its cash surrender value of $12,688 ($13,364 in 2021).

10. Risk management

Credit and market risk

The Foundation has an investment policy which restricts the types and amounts of eligible investments. The policy permits investments in fixed income vehicles, equity and alternative investment securities. Equity and fixed income securities are held within pooled funds. Risk and volatility of investment returns are mitigated through diversification of investments in different countries, business sectors and corporation sizes. The Foundation does not have any significant exposure to credit risk except with respect to its impact investments.

Currency risk

The Foundation's investments are denominated in Canadian dollars. Certain investments include investments in foreign jurisdictions and are therefore subject to foreign currency fluctuations. The Foundation mitigates the currency risk exposure of its Global securities through diversification of the pooled funds, which are comprised of multiple currencies.

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Foundation's cash flows, financial position and income. Interest rate changes directly impact the value of fixed income securities. The Foundation manages the interest rate price risk exposure of its fixed income investments by holding investments with varying terms to maturity.

Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation is exposed to this risk mainly in respect of its accounts payable. It is management's opinion that the Foundation is not exposed to significant liquidity risk arising from its accounts payable.

11. Allocation of expenses

During the year, salary, consulting, and other general expenses were allocated as follows:

	2022 **$**	2021 $
Grants	**1,273,312**	1,247,108

12. Comparative figures

Certain figures for 2021 have been reclassified to conform with the current year presentation.