Financial statements of
The Lawson Foundation

December 31, 2023

Deloitte.

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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, 2023, and the statements of revenue and expenses, 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, 2023, 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
May 30, 2024

The Lawson Foundation

Statement of financial position

As at December 31, 2023

	Notes	2023 $	2022 $
Assets			
Current assets			
Cash		**315,042**	184,203
Accounts receivable		**684,841**	454,879
Prepaid expenses		**25,624**	30,150
		1,025,507	669,232
Investments	3	**132,545,963**	125,026,835
Impact investments	4	**2,852,395**	3,295,631
Interests in Ray Lawson Trusts	5	**2**	2
Capital assets	6	**61,643**	84,697
		136,485,510	129,076,397
Liabilities			
Accounts payable and accrued liabilities		**470,434**	339,912
Commitments	4 and 7		
Net assets			
Invested in capital assets		**61,643**	84,697
Externally restricted for 10 years	8	**10,481**	13,276
Externally restricted in perpetuity		**4,450,657**	4,450,657
Unrestricted		**131,492,295**	124,187,855
		136,015,076	128,736,485
		136,485,510	129,076,397

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

Approved by the Board

_________________________________, Director

_________________________________, Director

The Lawson Foundation
Statement of revenue and expenses
Year ended December 31, 2023

	Notes	2023 $	2022 $
Revenue			
Gain (loss) on investments		**12,630,098**	(17,156,516)
Investment earnings		**3,163,792**	2,944,157
Income distributions Ray Lawson Trusts	5	**283,706**	287,567
Income (loss) from impact investments		**31,845**	(123,363)
		16,109,441	(14,048,155)
Expenses			
Grants	11	**7,281,930**	6,997,842
Convening and programming		**475,302**	520,613
Governance		**34,188**	30,380
Administration		**313,168**	294,680
Investment management fees		**703,208**	679,606
Amortization		**23,054**	24,318
		8,830,850	8,547,439
Excess (deficiency) of revenue over expenses		**7,278,591**	(22,595,594)

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

The Lawson Foundation
Statement of changes in net assets
Year ended December 31, 2023

	Notes	Invested in capital assets $	Externally restricted for 10 years $	Externally restricted in perpetuity $	Unrestricted $	2023 Total $	2022 Total $
Balance, beginning of year		**84,697**	**13,276**	**4,450,657**	**124,187,855**	**128,736,485**	151,332,079
Excess (deficiency) of revenue over expenses		**(23,054)**	**—**	**—**	**7,301,645**	**7,278,591**	(22,595,594)
Amount transferred to unrestricted funds for the year	8	**—**	**(2,795)**	**—**	**2,795**	**—**	—
Investment in capital assets		**—**	**—**	**—**	**—**	**—**	—
Balance, end of year		**61,643**	**10,481**	**4,450,657**	**131,492,295**	**136,015,076**	128,736,485

The Lawson Foundation

Statement of cash flows

Year ended December 31, 2023

	2023	2022
	$	$
Operating activities		
Excess (deficiency) of revenues over expenses	**7,278,591**	(22,595,594)
Items not affecting cash		
Amortization of capital assets	**23,054**	24,318
Realized gain on investments	**(2,332,339)**	(306,819)
Impairment on impact investments	**131,340**	213,361
Unrealized change in market value of investments	**(10,297,759)**	17,463,335
	(5,197,113)	(5,201,399)
Changes in non-cash working capital		
Accounts receivable	**(229,962)**	(85,878)
Prepaid expenses	**4,526**	(19,029)
Accounts payable and accrued liabilities	**130,522**	(92,226)
	(5,292,027)	(5,398,532)
Investing activities		
Purchase of investments	**(42,644,076)**	(14,484,321)
Sale of investments	**47,199,708**	19,213,361
Repayment of impact investment loans	**867,234**	540,363
	5,422,866	5,269,403
Change in cash during the year	**130,839**	(129,129)
Cash, beginning of year	**184,203**	313,332
Cash, end of year	**315,042**	184,203

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.

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.

2. Significant accounting policies (continued)

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.

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:

	2023 Fair value	2023 Cost	2022 Fair value	2022 Cost
	$	$	$	$
Cash and short-term investments	**682,344**	**679,052**	160,007	160,007
Fixed income				
Canadian	**37,557,806**	**36,720,702**	20,059,037	23,083,231
Equity				
Canadian	**29,878,436**	**28,012,814**	36,607,186	33,908,310
Global	**62,433,421**	**49,725,233**	66,619,663	60,934,561
	92,311,857	**77,738,047**	103,226,849	94,842,871
Alternatives				
Canadian	**755,709**	**673,580**	854,562	889,360
Global	**1,238,247**	**1,103,677**	726,380	718,220
	1,993,956	**1,777,257**	1,580,942	1,607,580
	132,545,963	**116,915,058**	125,026,835	119,693,689

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.

	2023	2022
	$	$
Community Forward Pooled Bond Fund Trust	**800,000**	800,000
Innovation Works Community Bond	**250,000**	250,000
InvestEco Sustainable Food Fund II, LP	**179,973**	242,506
JUMP Math Loan	**200,000**	400,000
New Market Funds Affordable Housing Fund I Trust	**333,960**	353,400
New Market Funds Affordable Housing Fund II Trust	**248,200**	43,160
Raven II Canadian Feeder LP	**100,636**	29,667
Raven Indigenous Impact Fund I LP	**229,812**	200,425
Restoring the Sacred Bond Social Impact Bond	**—**	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	**259,814**	226,473
	2,852,395	3,295,631

4. Impact investments (continued)

The Foundation has subscriptions for future investments of $975,883 ($1,691,008 in 2022), which include:

	$
New Market Funds Affordable Housing Fund I Trust	**111,475**
New Market Funds Affordable Housing Fund II Trust	**230,757**
Raven Indigenous Impact Fund I LP	**20,188**
Raven II Canadian Feeder LP	**613,463**
	975,883

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 $	2023 Net book value $	2022 Net book value $
Computer software and hardware	**84,128**	**77,291**	**6,837**	9,767
Furniture and equipment	**120,596**	**105,222**	**15,374**	21,028
Leasehold improvements	**161,036**	**121,604**	**39,432**	53,902
	365,760	**304,117**	**61,643**	84,697

7. Grant commitments

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

	$
2024	1,946,168
2025	526,000
2026	111,000
2027	5,000
	2,588,168

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.

	2023	2022
	$	$
Year restriction expires		
2023	**—**	2,795
2024	**2,795**	2,795
2025	**2,795**	2,795
2026	**2,795**	2,795
2027	**2,096**	2,096
	10,481	13,276

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, 2023 and 2022, 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 $11,993 ($12,688 in 2022).

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:

	2023	2022
	$	$
Grants	**1,431,869**	1,273,312