

The Lawson Foundation

Financial Statements
December 31, 2016



May 4, 2017

Independent Auditor's Report

To the Directors of The Lawson Foundation

We have audited the accompanying financial statements of The Lawson Foundation, which comprise the statement of financial position as at December 31, 2016 and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Lawson Foundation as at December 31, 2016 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

The Lawson Foundation

Statement of Financial Position

As at December 31, 2016

	2016 \$	2015 \$
Assets		
Current assets		
Cash	145,467	85,482
Accounts receivable	364,899	118,191
Prepaid expenses	21,118	134,872
	<hr/>	<hr/>
	531,484	338,545
Investments (note 3)	132,219,538	128,690,100
Impact investments (note 3)	1,270,472	610,000
Interests in Ray Lawson 1988 Trusts (note 4)	2	2
Capital assets (note 5)	192,245	30,514
	<hr/>	<hr/>
	134,213,741	129,669,161
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Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities (note 11)	297,178	241,242
	<hr/>	<hr/>
Net assets		
Donated capital (note 8)		
Externally restricted (ten-year restriction)	27,950	960,289
Externally restricted (perpetual restriction)	4,450,657	4,450,657
Unrestricted	46,360,667	45,425,533
	<hr/>	<hr/>
	50,839,274	50,836,479
	<hr/>	<hr/>
Surplus		
Invested in capital assets	192,245	30,514
Unrestricted	82,885,044	78,560,926
	<hr/>	<hr/>
	83,077,289	78,591,440
	<hr/>	<hr/>
	133,916,563	129,427,919
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	134,213,741	129,669,161
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Commitments (note 3)

Approved by the Board of Directors

_____ Director _____ Director

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

The Lawson Foundation
Statement of Revenues and Expenses
For the year ended December 31, 2016

	2016	2015
	\$	\$
Revenues		
Dividends	1,865,704	1,923,602
Income distributions		
Ray Lawson 1988 Raylaw Trust	153,496	146,250
Ray Lawson 1988 Ballymena Trust	116,670	119,500
Interest	1,570,870	1,629,947
Restricted contributions (note 8)	2,795	2,795
Realized gains on investments	6,619,849	7,066,479
Unrealized increase in market value of investments	1,716,870	23,163
Other income	17,194	578
	<u>12,063,448</u>	<u>10,912,314</u>
Expenses		
Administration	93,560	66,015
Amortization	18,972	26,911
Audit and accounting	53,801	47,896
Conferences, meetings and travel (note 7)	275,013	201,475
Consulting	98,219	64,454
Insurance	14,152	12,873
Interest and service charges	4,384	2,624
Investment management	690,208	837,461
Legal	17,697	29,305
Life insurance	1,082	1,198
Memberships	1,958	1,598
Rent	90,584	23,441
Salaries and benefits	751,056	690,155
	<u>2,110,686</u>	<u>2,005,406</u>
Expenses allocated to cost of grants and programming		
Less: Expenses allocated to cost of grants (note 6)	944,315	899,798
Less: Expenses allocated to programming (note 7)	110,235	-
	<u>1,056,136</u>	<u>1,105,608</u>
Excess of revenues over expenses	<u>11,007,312</u>	<u>9,806,706</u>
Grants distributed during the year (note 6)	6,408,433	5,860,016
Expenses allocated to programming (note 7)	110,235	-
	<u>6,518,668</u>	<u>5,860,016</u>
Excess of revenues over expenses	<u>4,488,644</u>	<u>3,946,690</u>

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

The Lawson Foundation
Statement of Changes in Net Assets
For the year ended December 31, 2016

	2016					
	Externally restricted (ten-year restriction) \$	Externally restricted (perpetual restriction) \$	Unrestricted \$	Invested in capital assets \$	Surplus \$	Total \$
Balance - Beginning of year	960,289	4,450,657	45,425,533	30,514	78,560,926	129,427,919
Excess of revenues over expenses	2,795	-	-	(18,972)	4,504,821	4,488,644
Amount transferred to unrestricted funds for the year	(935,134)	-	935,134	-	-	-
Investment in capital assets	-	-	-	180,703	(180,703)	-
Balance - End of year	27,950	4,450,657	46,360,667	192,245	82,885,044	133,916,563
	2015					
	Externally restricted (ten-year restriction) \$	Externally Restricted (perpetual restriction) \$	Unrestricted \$	Invested in capital assets \$	Surplus \$	Total \$
Balance - Beginning of year	12,687,535	4,450,657	33,695,492	54,770	74,592,775	125,481,229
Excess of revenues over expenses	2,795	-	-	(26,911)	3,970,806	3,946,690
Amount transferred to unrestricted funds for the year	(11,730,041)	-	11,730,041	-	-	-
Investment in capital assets	-	-	-	2,655	(2,655)	-
Balance - End of year	960,289	4,450,657	45,425,533	30,514	78,560,926	129,427,919

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

The Lawson Foundation
Statement of Cash Flows
For the year ended December 31, 2016

	2016 \$	2015 \$
Operating activities		
Excess of revenues over expenses	4,488,644	3,946,690
Items not affecting cash		
Realized gains on investments	(6,619,849)	(7,066,479)
Unrealized increase in market value of investments	(1,716,870)	(23,163)
Amortization of capital assets	18,972	26,911
	<u>(3,829,103)</u>	<u>(3,116,041)</u>
Increase in accounts receivable	(246,708)	(18,386)
Decrease (increase) in prepaid expenses	113,754	(134,872)
Increase in accounts payable and accrued liabilities	55,936	7,480
	<u>(3,906,121)</u>	<u>(3,261,819)</u>
Investing activities		
Purchase of investments	(9,127,895)	(8,726,117)
Sale of investments	13,274,704	11,979,162
Purchase of capital assets	(180,703)	(2,655)
	<u>3,966,106</u>	<u>3,250,390</u>
Increase (decrease) in cash	59,985	(11,429)
Cash - Beginning of year	<u>85,482</u>	<u>96,911</u>
Cash - End of year	<u>145,467</u>	<u>85,482</u>

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

The Lawson Foundation

Notes to Financial Statements

December 31, 2016

1 Significant accounting policies

The accounts of The Lawson Foundation (the Foundation) are maintained and the accompanying financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Financial instruments

Measurement of financial instruments

The Foundation initially measures its financial assets and liabilities at fair value. Impact investments are initially measured at cost.

The Foundation subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of revenues and expenses.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down and any subsequent reversal are recognized in the statement of revenues and expenses.

Transaction costs

The Foundation recognizes its transaction costs in the statement of revenues and expenses in the year incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

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:

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

Revenue recognition

Interest income, dividend income and operating expenses 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. The annual policy payment by the donor is recorded as a donation.

The Lawson Foundation

Notes to Financial Statements

December 31, 2016

Grant commitments

In accordance with the definition of a financial liability, as outlined in CPA Handbook Section 3856, beginning January 1, 2007 grants are expensed in the year that they are disbursed (note 6). Previously, grants were expensed in the year that the grant applications were approved by the Board of Directors.

Donated capital

Donated capital includes donations, estates and life insurance premiums and proceeds and excludes trust distributions.

2 Statutory information

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. As at December 31, 2016, the Foundation had exceeded its disbursement quota, as defined by income tax legislation, by \$8,217,503 (2015 - \$7,595,758). These excess distributions may be applied against future years' disbursement quota requirements expiring as follows:

	\$
Year ending December 31, 2017	1,433,000
2018	1,718,000
2019	1,506,000
2020	1,599,758
2021	1,960,745
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	8,217,503
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The Lawson Foundation

Notes to Financial Statements

December 31, 2016

3 Investments

The Foundation owns units in various mutual fund trusts as follows:

	2016		2015	
	Cost \$	Quoted market value \$	Cost \$	Quoted market value \$
Burgundy American Equity Fund	14,587,824	26,977,432	14,300,905	27,319,865
Burgundy Asian Equity Fund	5,583,336	8,501,454	5,801,693	8,630,288
Burgundy Canadian Equity Fund	17,437,341	23,698,207	18,246,171	19,144,442
Burgundy Emerging Markets Fund	1,723,018	1,881,770	1,830,498	1,923,053
Burgundy European Equity Fund	4,930,595	8,669,567	7,400,538	14,346,729
Burgundy Focus Canadian Equity	5,440,031	5,868,089	1,444,907	1,410,852
Burgundy Money Market Fund	6,175	6,175	30,912	30,903
Burgundy U.S. Smaller Companies	3,743,846	7,312,345	3,857,089	6,936,781
PH&N Community Values Bond	2,271,171	2,194,726	2,837,822	2,795,112
PH&N Mortgage Pension Trust-O	10,705,070	10,732,688	9,136,924	9,293,868
PH&N Bond Fund-O	35,933,430	36,377,085	35,661,810	36,858,207
	102,361,837	132,219,538	100,549,269	128,690,100

Impact investments

Beginning in 2015, the Foundation became involved in impact investing. As at December 31, 2016, the Foundation held impact investments in the amount of \$1,270,472 (2015 - \$610,000) which was disbursed across five funds as follows:

	2016 \$	2015 \$
CFF Pooled Bond Fund	405,000	405,000
NMF Private Equity Trust Fund	5,000	5,000
SolarShare Community Bond	200,000	200,000
Innovation Works Community Bond	500,000	-
InvestEco Private Equity Fund	160,472	-
	1,270,472	610,000

The Lawson Foundation

Notes to Financial Statements

December 31, 2016

The Foundation has future subscriptions and guarantees for future investments of \$1,680,000 (2015 - \$1,590,000) beyond the \$1,270,472 (2015 - \$610,000) that is held as at December 31, 2016 which include:

	Future subscriptions \$
CFF Pooled Bond Fund	595,000
NMF Private Equity Trust Fund	495,000
Immigrant Access Fund Canada Guarantee*	250,000
InvestEco Private Equity Fund	340,000
	<hr/>
	1,680,000
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* During the year, the Foundation extended a \$250,000 loan guarantee toward Immigrant Access Fund Canada.

4 Interests in Ray Lawson 1988 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.

The Lawson Foundation

Notes to Financial Statements

December 31, 2016

5 Capital assets

	2016		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Furniture and equipment	115,231	66,338	48,893
Computer software and hardware	51,762	23,144	28,618
Leasehold improvements	137,105	22,371	114,734
	304,098	111,853	192,245
	2015		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Furniture and equipment	64,341	63,733	608
Computer software and hardware	42,722	12,816	29,906
Leasehold improvements	16,332	16,332	-
	123,395	92,881	30,514

The Lawson Foundation

Notes to Financial Statements

December 31, 2016

6 Grant distributions and commitments

	2016 \$	2015 \$
Grant distributions		
Grants distributed for the year	5,464,118	4,960,218
Expenses allocated to cost of grants	944,315	899,798
	<u>6,408,433</u>	<u>5,860,016</u>

Grant commitments

	2016 \$	2015 \$
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As at December 31, the unpaid grant commitments were as follows:

Addiction Services of Thames Valley	20,000	-
Canadian Child Care Federation	100,000	-
Canadian Environmental Grantmakers' Network	5,000	-
Canadian Mental Health Association, Middlesex	20,000	-
Canadian Paediatric Foundation/ Fondation Canadienne de Padiatrie	76,000	-
Canadian Public Health Association	70,000	130,000
Chemawawin Cree Nation	125,000	-
Child and Nature Alliance Society	625,000	100,000
Children's Hospital of Eastern Ontario Foundation	-	49,751
City of Calgary	-	72,000
Clinique Youville Clinic	46,250	-
Community Food Centres Canada	825,000	1,100,000
Community Ownership Solutions	200,000	-
Crouch Neighbourhood Resource Centre	10,000	-
Dalhousie University	56,000	129,000
Earth Day Canada	100,000	175,000
Ecosource Mississauga	-	25,000
Fondation CHU Sainte-Justine / Sainte-Justine UHC Foundation	-	100,000
Fonds du Regroupement des Centres de la Petite Enfance de la Montérégie	48,000	140,000
Glen Cairn Community Resource Centre	10,000	-
Glenora Child Care Society	-	50,000
Goodwill Industries	20,000	-
Governing Council of the University of Toronto	100,000	200,000
Hamilton Health Sciences Foundation	-	125,000
Health Nexus	-	50,000
Imagine Canada	97,000	194,000
L'insitut de recherch� du Centre universitaire de sante McGill/The research institute of The McGill University Health Centre	169,500	-
London Abused Women's Centre	20,000	-
London Community Chaplaincy	10,000	-
London Health Science Foundation	20,000	-
MaRS Discovery Project	80,000	160,000

The Lawson Foundation

Notes to Financial Statements

December 31, 2016

	2016 \$	2015 \$
N'Amerind (London) Friendship Centre	10,000	-
Northwest London Resource Centre	10,000	-
Nor-West Co-op Community Health Centre	125,000	-
Nose Creek Sports and Recreation Association	-	71,000
Okanagan College	-	95,000
Philanthropic Foundations Canada	80,000	145,000
Pillar Nonprofit Network	126,000	-
Queen's University at Kingston	135,000	-
Salthaven Wildlife Rehabilitation and Education	10,000	-
Sansar Foundation	98,400	-
SARI Therapeutic Riding	10,000	-
South London Neighbourhood Resource Centre	10,000	-
Thames Valley Education Foundation	10,000	-
The Circle of Philanthropy and Aboriginal Peoples in Canada	1,000	-
The Governors of the University of Calgary	169,000	-
The Social Research and Demonstration Corporation	70,000	130,000
Toronto East Health Network Foundation	165,800	-
University of British Columbia	492,650	251,000
University of Manitoba	720,000	960,000
YMCA of London Foundation	-	50,000
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	5,095,600	4,501,751

These commitments are expected to be met in the following years:

	\$
2017	2,777,400
2018	1,633,200
2019	685,000
	<hr/>
	5,095,600

7 Programming

Convening programming is now seen as a key tool for the Foundation to deliver on its charitable mission. Given this, an annual allocation has been approved by the Board of Directors for programming costs related to convening. During the year, total costs amount to \$110,235 (2015 - \$nil) and are included within conferences, meetings and travel. While the Foundation has performed convening activities in the past, during 2016, the Foundation had decided to perform this in a programmatic way, as part of its charitable mission. Accordingly, no comparative balance has been presented.

The Lawson Foundation

Notes to Financial Statements

December 31, 2016

8 Donated capital

Certain funds contributed to the Foundation in the current and prior years were subject to a direction by the donors that the gift, or any property substituted therefore, be held as equity by the Foundation for a period of not less than ten years. It has been the Foundation's policy to date to retain any such contributions in the permanent equity of the Foundation after the ten-year limit has expired.

Certain funds contributed to the Foundation were subject to a direction by the donor of that originally contributed gift that the gift be held as equity by the Foundation in perpetuity.

Contributions presently restricted as to their use are as follows:

	2016 \$	2015 \$
Externally restricted funds - subject to ten-year restrictions by donor designation		
Balance - Beginning of year	960,289	12,687,535
Contributions subject to ten-year directions received during the year	2,795	2,795
Amount transferred to unrestricted funds during the year	(935,134)	(11,730,041)
Balance - End of year	<u>27,950</u>	<u>960,289</u>
Externally restricted funds - subject to perpetual restriction by donor direction		
Balance - Beginning of year	4,450,657	4,450,657
Contributions received during the year	-	-
Balance - End of year	<u>4,450,657</u>	<u>4,450,657</u>
Unrestricted funds		
Balance - Beginning of year	45,425,533	33,695,492
Amount transferred from restricted funds during the year	935,134	11,730,041
Balance - End of year	<u>46,360,667</u>	<u>45,425,533</u>
Donated capital	<u>50,839,274</u>	<u>50,836,479</u>

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, 2016, 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 \$14,358 (2015 - \$12,645).

The Lawson Foundation

Notes to Financial Statements

December 31, 2016

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 and equity 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.

Currency risk

The Foundation's investments are denominated in Canadian dollars. Certain investments such as United States and other international equities include investments in foreign jurisdictions and are therefore subject to foreign currency fluctuations. The Foundation mitigates the currency risk exposure of its foreign 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.

The Foundation's exposure to the above risks has not changed during the year.

11 Government remittances payable

As at December 31, 2016, there are no statutory remittances in arrears.

12 Comparative figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.