

SeedChange Foundation
(formerly USC Foundation)

Financial Statements
April 30, 2021



Independent auditor's report

To the Directors of SeedChange Foundation (formerly USC Foundation)

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SeedChange Foundation (formerly USC Foundation) (the Foundation) as at April 30, 2021 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.

What we have audited

The Foundation's financial statements comprise:

- the statement of financial position as at April 30, 2021;
- the statement of changes in net assets for the year then ended;
- the statement of operations for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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

Independence

We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
99 Bank Street, Suite 710, Ottawa, Ontario, Canada K1P 1E4
T: +1 613 237 3702, F: +1 613 237 3963

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



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 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
October 7, 2021

SeedChange Foundation

Statement of Financial Position

As at April 30, 2021

	2021 \$	2020 \$
Assets		
Current assets		
Cash	886,153	181,603
Investments (note 4)	5,307,056	4,899,631
Accrued investment income	32,446	32,856
Due from SeedChange (note 5)	-	10,342
Prepaid expenses	4,691	-
	<u>6,230,346</u>	<u>5,124,432</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	-	3,000
Due to SeedChange (note 5)	462,033	-
	<u>462,033</u>	<u>3,000</u>
Net Assets (note 3)		
Internally restricted – Lotta Hitschmanova Legacy	5,089,286	4,467,849
Externally restricted – Endowments	679,027	653,583
	<u>5,768,313</u>	<u>5,121,432</u>
	<u>6,230,346</u>	<u>5,124,432</u>

 Approved by the Board of Directors

Director



Director

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

SeedChange Foundation

Statement of Changes in Net Assets

For the year ended April 30, 2021

	Balance – Beginning of year \$	Excess of revenue over expense for the year \$	Endowment contributions \$	Balance – End of year \$
Internally restricted – Lotta Hitschmanova Legacy (note 3)	4,467,849	621,437	-	5,089,286
Externally restricted – Endowments (note 3)	653,583	-	25,444	679,027
	<u>5,121,432</u>	<u>621,437</u>	<u>25,444</u>	<u>5,768,313</u>

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

SeedChange Foundation

Statement of Operations

For the year ended April 30, 2021

	2021 \$	2020 \$
Revenue		
Bequests	344,967	159,830
Investment income (loss) (note 4)	837,845	(203,700)
Other	(8,826)	431
	<hr/> 1,173,986	<hr/> (43,439)
Expense (note 5)		
Administration	192,350	67,717
Investment counsel fees	35,577	40,728
Fundraising	49,622	105,659
	<hr/> 277,549	<hr/> 214,104
Excess (deficiency) of revenue over expense before contribution to SeedChange	896,437	(257,543)
Contribution to SeedChange (note 5)	<hr/> 275,000	<hr/> 840,000
Excess (deficiency) of revenue over expense for the year	<hr/> 621,437	<hr/> (1,097,543)

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

SeedChange Foundation

Statement of Cash Flows

For the year ended April 30, 2021

	2021 \$	2020 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expense for the year	621,437	(1,097,543)
Items not involving cash		
Change in fair value of investments	(669,923)	390,429
Amortization of premiums	3,503	2,866
Changes in non-cash working capital items		
Accrued investment income	410	588
Due to/from SeedChange	472,375	40,673
Prepaid expenses	(4,691)	4,553
Accounts payable and accrued liabilities	(3,000)	(3,850)
	<hr/> 420,111	<hr/> (662,284)
Investing activity		
Net change in investments	258,995	347,246
Financing activity		
Endowment contributions	25,444	-
	<hr/> 704,550	<hr/> (315,038)
Change in cash during the year		
Cash – Beginning of year	<hr/> 181,603	<hr/> 496,641
Cash – End of year	<hr/> 886,153	<hr/> 181,603

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

SeedChange Foundation

Notes to Financial Statements

April 30, 2021

1 Purpose of the organization

SeedChange Foundation, formerly the USC Foundation (the Foundation) has been established to accept donations, gifts, legacies and bequests for the long-term support and security of SeedChange programs. The Foundation is incorporated, without share capital, under the provisions of the Canada Not-for-Profit Corporations Act. The Foundation is a public foundation under Section 149.1 of the Income Tax Act (Canada) and is exempt from income taxes.

2 Summary of significant accounting policies

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting periods. Actual results could differ from these estimates.

Investments

Investments are measured at fair value using quoted market prices. Dividends, interest and changes in fair value are recognized in the statement of operations.

Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Under the deferral method, endowment contributions are recorded as a direct increase in net assets.

3 Net assets

Amounts for the Lotta Hitschmanova Legacy are internally restricted by the Board of Directors for capital or other purposes. These internally restricted net assets can be transferred to unrestricted net assets by approval of the Board of Directors.

Endowment funds have been restricted in perpetuity by the donors. Investment income earned on these resources has been reported as part of general operations unless otherwise restricted by the contributor of the funds for endowment.

SeedChange Foundation

Notes to Financial Statements

April 30, 2021

Endowment funds include:	Balance – Beginning of year \$	Endowment contributions \$	Balance – End of year \$
Stewart Moore Endowment	320,892	20,816	341,708
Kurt and Evelyn (Russell) Haas Endowment	103,683	4,628	108,311
Manson and Mary Toynbee Endowment	201,245	-	201,245
Rick McTaggart Memorial Fund	27,763	-	27,763
	<u>653,583</u>	<u>25,444</u>	<u>679,027</u>

4 Investments

	2021 \$	2020 \$
Fixed-rate bonds	2,507,793	2,509,078
Canadian impact investments	30,985	37,500
Canadian equities	936,246	757,636
US and foreign equities	<u>1,832,032</u>	<u>1,595,417</u>
	<u>5,307,056</u>	<u>4,899,631</u>

91.3% (2020 – 90.8%) of the Foundation's portfolio was issued in Canada, the United States and the United Kingdom.

Fixed-rate bonds have yields that vary from 2.1% to 4.8% and mature between 2021 and 2027 (2020 – yields that vary from 2.1% to 4.8% and mature between 2020 and 2029). Credit ratings are BBB or higher.

Canadian impact investments comprise an investment in InvestEco's Sustainable Food Fund III. The Foundation has made a commitment to invest up to \$150,000 in this fund, which will be drawn by InvestEco as needed to fund the portfolio. At year-end, InvestEco had called \$35,250 of the Foundation's commitment, which had an equity value of \$30,985.

Investment income (loss) comprises:

	2021 \$	2020 \$
Interest	75,131	86,250
Dividends	96,294	103,345
Change in fair value of investments	669,923	(390,429)
Amortization of premiums	<u>(3,503)</u>	<u>(2,866)</u>
	<u>837,845</u>	<u>(203,700)</u>

SeedChange Foundation

Notes to Financial Statements

April 30, 2021

5 Related party balances and transactions

SeedChange controls the Foundation as the members of the Board of Directors of SeedChange are the members of the Foundation.

Fundraising and administration expenses include \$239,244 (2020 – \$169,326) charged by SeedChange, representing an allocation of employee salaries and SeedChange administration expenses based on time spent working for each entity. These transactions are recorded at the exchange amount, which is the amount established and agreed to by the related parties involved.

Amounts due to or from SeedChange are without defined terms of repayment and are non-interest bearing.

6 Financial instruments

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Foundation's risk exposure and concentrations.

Investment risk

Investments in financial instruments render the Foundation subject to investment risks. Interest risk is the risk arising from fluctuations in interest rates and their degree of volatility. There is also the risk arising from the failure of a party to a financial instrument to discharge an obligation when it is due. Market risk is the risk to the value of a financial instrument due to fluctuations in market prices, whether these fluctuations are caused by factors specific to the investment itself or to its issuer, or by factors pertinent to all investments on the market.

Concentration of risk

Concentration of risk exists when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political and other conditions. The Foundation's investments are detailed in note 4.

Foreign currency risk

The Foundation is exposed to currency risk as the value of financial instruments denominated in US dollars will fluctuate due to changes in the exchange rate. The Foundation has investments denominated in US dollars and other foreign currencies amounting to \$1,971,417 (2020 – \$1,595,417).

7 Government remittances

Government remittances of nil (2020 – nil) are included in accounts payable and accrued liabilities.

SeedChange Foundation

Notes to Financial Statements

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8 Implications of COVID-19 pandemic

On March 11, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a pandemic. Governments and local public health authorities have implemented shutdowns and emergency measures to combat the global pandemic.

Management is closely monitoring any potential impacts there may be on the Foundation's operations. While the ultimate duration and magnitude of COVID-19's impact on the Foundation's operations and financial position are not known at this time, management believes it will be temporary and that the long-term prospects for the Foundation have not changed.

9 Prior year comparatives

Certain prior year comparative amounts have been reclassified to conform to the current year presentation.