

SeedChange Foundation

Financial Statements

April 30, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Directors of Seedchange

Opinion

We have audited the financial statements of SeedChange (the "Organization"), which comprise:

- the statement of financial position as at April 30, 2023
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Organization as at April 30, 2023, and its results of operations, changes in net assets 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 auditor's report.

We are independent of the Organization 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 opinion.

Other Matter – Comparative Information

The financial statements for the year ended April 30, 2022 were audited by another auditor who expressed an unqualified opinion on those financial statements on November 2, 2022.



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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 the 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.



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- 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 Organization'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 Organization'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 Organization 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

January 16, 2024

SeedChange Foundation

Statement of Financial Position

As at April 30, 2023

| Assets | 2023 | 2022 |
|---------------------------------------------------|------------------|------------------|
| | \$ | \$ |
| Current assets | | |
| Cash and cash equivalents | 564,950 | 554,506 |
| Investments (note 4) | 4,860,629 | 5,660,559 |
| Accrued Investments | - | 24,784 |
| Due from SeedChange | 161,987 | - |
| Prepaid expenses | - | 4,830 |
| | 5,587,566 | 6,244,679 |
| Current liabilities | | |
| Due to SeedChange (note 5) | - | 388,418 |
| Net Assets (note 3) | | |
| Internally restricted - Lotta Hitschmanova Legacy | 4,878,368 | 5,157,063 |
| Externally restricted - Endowments | 709,198 | 699,198 |
| | 5,587,566 | 5,856,261 |
| | 5,587,566 | 6,244,679 |

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, 2023

Statement of Changes in Net Assets

| | Balance Beginning of year \$ | Excess of revenue over \$ | Endowment contributions \$ | Balance End of year \$ |
|---------------------------------------------------------------|---------------------------------------|---------------------------------|----------------------------------|------------------------------|
| Internally restricted - Lotta Hitschmanova Legacy (note 3) | 5,157,063 | -278,695 | | 4,878,368 |
| Externally restricted - Endowments (note 3) | 699,198 | | 10,000 | 709,198 |
| | 5,856,261 | -278,695 | 10,000 | 5,587,566 |

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

SeedChange Foundation

Statement of Operations

For the year ended April 30, 2023

| | 2023 | 2022 |
|--------------------------------------------------------------------------------------|----------------|---------------|
| | \$ | \$ |
| Revenue | | |
| Bequests | 323,055 | 400,440 |
| Investment Income (note 4) | 173,996 | 55,370 |
| Contributions and other | 4,665 | 389,206 |
| | <hr/> 501,716 | <hr/> 845,016 |
| Expenses (note 5) | | |
| Administration | 108,275 | 105,837 |
| Investment counsel fees | 34,348 | 38,325 |
| Fundraising | 37,788 | 33,077 |
| | <hr/> 180,411 | <hr/> 177,239 |
| Excess (deficiency) of revenue over expense before contribution to SeedChange | 321,305 | 667,777 |
| Contribution to SeedChange (note 5) | 600,000 | 600,000 |
| | <hr/> | <hr/> |
| Excess (deficiency) of revenue over expense for the year | <hr/> -278,695 | <hr/> 67,777 |

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

SeedChange Foundation

Statement of Cash Flows

For the year ended April 30, 2023

| | 2023 | 2022 |
|------------------------------------------------------------|-----------------------|-----------------------|
| | \$ | \$ |
| Cash provided by (used in) | | |
| Operating activities | | |
| Excess of revenue over expense for the year | - 278,695 | 67,777 |
| Items not involving cash | | |
| Change in fair value of investments | 706,499 | 107,199 |
| Amortization of premiums | 3,873 | 11,830 |
| Changes in non-cash working capital items. | | |
| Accrued investment income | 24,784 | 7,662 |
| Prepaid expenses | 4,830 - | 139 |
| Due to SeedChange | - 550,405 - | 73,615 |
| | <u>- 89,114</u> | <u>120,714</u> |
| Investing activities | | |
| Purchase of investments | - 6,072,955 - | 1,593,014 |
| Proceeds on sale of investments | 6,162,513 | 1,120,482 |
| | <u>89,558 -</u> | <u>472,532</u> |
| Financing activities | | |
| Endowment contributions | <u>10,000</u> | <u>20,171</u> |
| Change in cash and cash equivalents during the year | 10,444 - | 331,647 |
| Cash and cash equivalents - Beginning of year | <u>554,506</u> | <u>886,153</u> |
| Cash and cash equivalents - End of year | <u>564,950</u> | <u>554,506</u> |

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

SeedChange Foundation

Notes to Financial Statements

April 30, 2023

1 Purpose of the organization

SeedChange 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.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks and other short-term highly liquid investment with original maturities of three months or less.

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.

SeedChange Foundation

Notes to Financial Statements

April 30, 2023

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.

| Endowment funds | Balance - Beginning of year \$ | Endowment Contributions \$ | Balance - End of year \$ |
|------------------------------------------|---------------------------------------------------|-------------------------------------------|-----------------------------------------|
| Stewart Moore Endowment | 351,789 | 10,000 | 361,789 |
| Kurt and Evelyn (Russell) Haas Endowment | 118,401 | - | 118,401 |
| Manson and Mary Toynbee Endowment | 201,245 | - | 201,245 |
| Rick McTaggart Memorial Fund | 27,763 | - | 27,763 |
| | <u>699,198</u> | <u>10,000</u> | <u>709,198</u> |

4 Investments

| | 2023 \$ | 2022 \$ |
|-----------------------------|--------------------|--------------------|
| Fixed-rate bonds | - | 2,790,643 |
| Canadian impact investments | 103,135 | 57,685 |
| Canadian equities | 4,757,377 | 1,065,527 |
| US and foreign Equities | 117 | 1,746,704 |
| | <u>4,860,629</u> | <u>5,660,559</u> |

As at April 30, 2023, 100% of the Foundation's portfolio (2022 – 92.2%) was issued in Canada, the United States and the United Kingdom.

SeedChange Foundation

Notes to Financial Statements

April 30, 2023

Fixed-rate bonds as of April 30, 2022 had yields that vary from 2.1% to 4.0% and mature between 2023 and 2029. There's no fixed rate bonds as of April 30, 2023.

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. As at April 30, 2023, Canadian impact investments comprised of an investment in the InvestEco Sustainable Food Fund III, L.P. who called \$45,450 (2022 - \$61,950) of the Foundation's \$150,000 total commitment. The estimated equity value at April 30, 2023 was \$85,841 (2022 - \$64,171). Business ethics plays a key role in the way the Foundation strives to improve food sovereignty through working with partners globally and within the wider Canadian Community. Environmental, Social and Governance (ESG) is aligned with the objectives of the Foundation which is why the Foundation has an investment portfolio with InvestEco who manages the investments, that are solely focused on investing and preserving capital in a sustainable and compliant way that supports the way the Foundation is governed.

Investment income (loss) comprises:

| | 2023 | 2022 |
|-------------------------------------|----------------|---------------|
| | \$ | \$ |
| Interest | 38,626 | 114,357 |
| Dividends | 166,391 | 60,042 |
| Change in fair value of investments | -706,499 | -107,199 |
| Gain on sale of investments | 679,351 | 0 |
| Amortization of premiums | -3,873 | -11,830 |
| | <u>173,996</u> | <u>55,370</u> |

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.

For the year ended April 30, 2022, fundraising and administration expenses include \$107,075 (2022 – \$103,438) 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.

SeedChange Foundation

Notes to Financial Statements

April 30, 2023

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 as at April 30, 2023.

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 \$117 (2022 – \$1,746,704).