

STRATEGIC CHARITABLE GIVING FOUNDATION

Interim Unaudited Financial Statements

For the Six-Month Period ended June 30, 2019

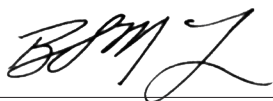
STRATEGIC CHARITABLE GIVING FOUNDATION

STATEMENT OF FINANCIAL POSITION (Unaudited)

As at

	June 30, 2019	December 31, 2018 (Audited)
	\$	\$
Assets		
Current assets		
Cash	172,988	965,651
Due from brokers	1,303,899	2,072,781
	<u>1,476,887</u>	<u>3,038,432</u>
Investments (Note 3)	279,433,201	251,171,379
Investment in life insurance	3,526,436	3,509,479
	<u>284,436,524</u>	<u>257,719,290</u>
Total assets		
	<u>284,436,524</u>	<u>257,719,290</u>
Liabilities, Deferred Contributions and Fund Balances		
Current liabilities		
Accounts payable and accrued liabilities	26,906	82,654
Administration fees payable (Note 4a and 5)	838,876	806,638
Grants payable	5,653,211	210,368
Total liabilities	<u>6,518,993</u>	<u>1,099,660</u>
Deferred contributions	<u>3,526,436</u>	<u>3,509,479</u>
Fund balances		
Endowment funds	306,262,987	292,953,636
Unrestricted fund	(31,871,892)	(39,843,485)
Total fund balances	<u>274,391,095</u>	<u>253,110,151</u>
	<u>284,436,524</u>	<u>257,719,290</u>
Total liabilities, deferred contributions and fund balances		
	<u>284,436,524</u>	<u>257,719,290</u>

On behalf of the Board:



Barry McInerney – Chairman of the Board



Terry Rountes – Treasurer

See accompanying notes to the financial statements.

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STRATEGIC CHARITABLE GIVING FOUNDATION

STATEMENT OF OPERATIONS (Unaudited)

For the periods ended June 30

	2019	2018
	\$	\$
Revenue		
Dividend and interest income from eligible mutual funds	1,887,958	2,311,490
Realized gain (loss)	125,621	171,101
Other investment income	28,474	8,871
Total revenue	<u>2,042,053</u>	<u>2,491,462</u>
Expenses		
Charitable administration fees (Note 4a)	838,566	772,801
Commission on disposition of securities	5,150	3,941
Operating expenses (Note 4b)	87,803	62,339
Interest and bank charges	2,973	2,816
Total expenses	<u>934,492</u>	<u>841,897</u>
Excess of revenue over expenses before the following:	<u>1,107,561</u>	<u>1,649,565</u>
Disbursements to charities	(13,910,976)	(13,907,594)
Change in unrealized gains (losses)	<u>20,775,008</u>	<u>(3,954,820)</u>
Excess (Shortfall) of revenue over expenses	<u>7,971,593</u>	<u>(16,212,849)</u>

STATEMENT OF CHANGES IN FUND BALANCES (Unaudited)

For the periods ended June 30

	Endowment Funds	Unrestricted Fund	Total
	\$	\$	\$
Fund balances, January 1, 2019	<u>292,953,636</u>	<u>(39,843,485)</u>	<u>253,110,151</u>
Excess of revenue over expenses	–	7,971,593	7,971,593
Endowment contributions	13,309,351	–	13,309,351
Fund balances, June 30, 2019	<u>306,262,987</u>	<u>(31,871,892)</u>	<u>274,391,095</u>
Fund balances, January 1, 2018	<u>256,457,826</u>	<u>(6,947,240)</u>	<u>249,510,586</u>
Shortfall of revenue over expenses	–	(16,212,849)	(16,212,849)
Endowment contributions	10,781,947	–	10,781,947
Fund balances, June 30, 2018	<u>267,239,773</u>	<u>(23,160,089)</u>	<u>244,079,684</u>

See accompanying notes to the financial statements.

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STRATEGIC CHARITABLE GIVING FOUNDATION

STATEMENT OF CASH FLOWS (Unaudited)

For the periods ended June 30

	2019	2018
	\$	\$
Cash provided by/(used in)		
Operating Activities		
Excess/(Shortfall) of revenue over expenses	7,971,593	(16,212,849)
Net change in non-cash items:		
Net realized loss (gain) on investments	(125,621)	(171,101)
Change in unrealized loss (gain)	(20,775,008)	3,954,820
Change in non-cash working capital	6,188,215	5,981,129
Net cash used in operating activities	(6,740,821)	(6,448,001)
Financing Activities		
Endowment contributions	13,309,351	10,781,947
Deferred contributions	16,957	—
Net cash used in financing activities	13,326,308	10,781,947
Investing Activities		
Purchase of investments	(34,753,447)	(36,617,479)
Proceeds from sale of investments	27,375,297	30,453,304
Net cash used in investing activities	(7,378,150)	(6,164,175)
Net increase (decrease) in cash during the period	(792,663)	(1,830,229)
Cash – beginning of period	965,651	1,965,468
Cash – end of period	172,988	135,239

See accompanying notes to the financial statements.

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STRATEGIC CHARITABLE GIVING FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Unaudited)

1. Organization and Objective of the Strategic Charitable Giving Foundation

The Strategic Charitable Giving Foundation (the “Foundation”) was formed on March 17, 2006, with operations commencing on July 4, 2006, as a non-profit charitable organization. It is registered as a public foundation with the Canada Revenue Agency and with the Quebec Ministry of Revenue. It is exempt from income taxes provided certain requirements under the Income Tax Act (Canada) (“Tax Act”) are met. As such, it can issue charitable donation receipts. The Foundation was previously incorporated under the Canada Corporations Act and was continued under the Canadian Not-For-Profit Corporations Act in April 2013.

The Foundation manages and administers the assets of the three charitable giving fund programs (individually the “Program” or collectively the “Programs”) developed by each of Mackenzie Financial Corporation (“Mackenzie”), Quadrus Investment Services Ltd. (“Quadrus”) and Investors Group Inc. (“Investors Group”). Mackenzie is the Foundation’s charitable administration provider. The charitable giving funds, also known as donor-advised funds, are dedicated to helping donors increase and sustain their charitable giving. The objective of the Foundation is to receive and maintain charitable giving funds and to apply all or part of the principal and income from those funds to eligible charities.

A Board of Directors (the “Board”) governs the Foundation. A majority of the Board is independent of Mackenzie, Quadrus, Investors Group, and their affiliates. The Board has sole discretion over each donor advised account (individually an “Account” and collectively the “Accounts”) in the Programs and the activities relating to these Accounts. Although the Board has ultimate authority over each Account, it will generally act on the recommendations of the donor (or parties authorized by the donor) with respect to naming the Account, appointing a financial advisor for the Account, investing among the eligible Mackenzie, Quadrus and Investors Group funds, making grants to eligible charities and recommending how the Account will be managed after the donor’s lifetime.

These financial statements reflect the combined assets of donor advised funds in the Programs developed within the Foundation.

2. Significant Accounting Policies

These financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of The Chartered Professional Accountants Canada Handbook.

(a) Use of judgment, estimates and assumptions

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

(b) Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Foundation requires each donation to be subject to a 10-year holding period and is recognized as an endowment contribution. Endowment contributions are recognized as direct increases in endowment net assets.

Donations of assigned insurance policies from living donors, including subsequent donated premiums, are treated as deferred contributions when received and recognized as an endowment contribution, subject to a 10-year holding period, in the year the death benefit becomes payable to the Foundation.

Effective October 1, 2019, the Foundation will no longer require a 10-year holding period for all donations recognized as an endowment contribution.

(c) Financial instruments

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

STRATEGIC CHARITABLE GIVING FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Unaudited)

2. Significant Accounting Policies (cont'd)

(c) Financial instruments (cont'd)

The fair value of investments as at the financial reporting period end is determined as follows:

- (i) Donations of securities are recorded at their market value on the date received by the Foundation. The Foundation is subject to equity and other risks pending the sale of donated securities. Donations of assigned life insurance policies are recorded at their cash surrender value on the date the Foundation becomes the named beneficiary of the policy; the cash surrender value is updated annually. Donations of cash and net proceeds from the sale of donated securities are invested in eligible mutual funds.
- (ii) Mutual fund securities for the applicable series are valued on a business day at the price calculated by the manager of such mutual fund in accordance with the constating documents of such mutual fund.

Investments in securities listed on a public securities exchange or traded on an over-the-counter market are valued at the closing bid price. Where no closing bid price is available the last sale or close price is used. Unlisted or non-exchange traded investments, or investments where a last sale or close price is unavailable or investments for which market quotations are, in Mackenzie's opinion, inaccurate, unreliable or not reflective of all available material information, are valued at their fair value as determined by Mackenzie.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(d) Investment transactions and income recognition

Investment transactions are accounted for on a trade date basis. Income from investments other than a mutual fund is recognized on an accrual basis. Interest income is accrued based on the number of days the investment is held during the year. Dividends are accrued as of the ex-dividend date. Gains or losses on the sale of investments, including any foreign exchange gains or losses on such investments, are calculated on an average cost basis. Distributions received from a mutual fund are included in interest income, dividend income or realized gains (losses) on sale of investments, as applicable.

(e) Foreign exchange

Foreign currency purchases and sales of investments and foreign currency dividend and interest income and expenses are translated to Canadian dollars at the rate of exchange prevailing at the time of the transactions.

Foreign exchange gains (losses) on purchases and sales of foreign currencies are included in the Statement of Operations – Realized gains (losses).

The fair value of investments and other assets and liabilities, denominated in foreign currencies, are translated to Canadian dollars at the rate of exchange prevailing on each business day.

STRATEGIC CHARITABLE GIVING FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Unaudited)

3. Investments

As at June 30, 2019

Number of units / shares	Name of Mutual Funds	Fair value	Average cost	Unrealized Gain/(Loss)
	Eligible Mutual Funds	\$	\$	\$
	Mackenzie			
226,702	Mackenzie Canadian Growth Balanced Fund	2,884,993	2,645,540	239,453
1,469,011	Mackenzie Global Strategic Income Fund	20,379,066	19,486,257	892,809
24,502	Mackenzie Global Sustainability and Impact Balanced Fund	257,793	255,400	2,393
1,951,410	Mackenzie Income Fund	7,046,885	7,672,130	(625,245)
14,935	Mackenzie Ivy Canadian Balanced Fund	212,247	214,056	(1,809)
504,468	Mackenzie Ivy Global Balanced Fund	6,536,221	6,237,028	299,193
6,927	Mackenzie Moderate Growth ETF Portfolio	69,449	69,511	(62)
53,414	Mackenzie Monthly Income Balanced Portfolio	555,576	543,901	11,675
995	Mackenzie Monthly Income Conservative Portfolio	9,959	10,084	(125)
376,861	Mackenzie Private Global Income Balanced Pool	5,464,183	5,446,468	17,715
188,696	Mackenzie Private Income Balanced Pool	2,952,205	3,014,698	(62,493)
645,634	Mackenzie Strategic Income Fund	7,387,668	7,564,932	(177,264)
4,484,765	Symmetry Balanced Portfolio	57,850,819	55,434,464	2,416,355
61,566	Symmetry Conservative Income Portfolio	675,624	662,086	13,538
206,262	Symmetry Conservative Portfolio	2,627,877	2,566,747	61,130
1,074,899	Symmetry Moderate Growth Portfolio	15,137,252	14,635,442	501,810
		130,047,817	126,458,744	3,589,073
	Quadrus			
316,259	Balanced Folio Fund	5,005,664	4,393,266	612,398
951,423	Mackenzie Canadian Balanced Fund	11,167,180	11,364,646	(197,466)
176,770	Moderate Folio Fund	2,322,008	2,201,287	120,721
82,602	Monthly Income Fund (London Capital)	1,210,192	1,275,346	(65,154)
5,127	Income Fund (Portico)	82,912	74,264	8,648
		19,787,956	19,308,809	479,147
	Investors Group			
149,419	IG Core Portfolio - Income Focus	1,732,218	1,673,975	58,243
739,316	IG Core Portfolio - Income Balanced	8,452,120	8,263,058	189,062
1,031,604	IG Managed Payout Portfolio with Growth	11,686,098	11,130,821	555,277
73,837	IG Managed Payout Portfolio	840,252	791,557	48,695
4,731,824	Investors Dividend Fund	68,537,402	69,234,947	(697,545)
2,090,267	Investors Income Plus Portfolio	18,590,745	18,521,990	68,755
1,805,390	IG Managed Risk Portfolio - Income Balanced	19,430,297	18,650,139	780,158
		129,269,132	128,266,487	1,002,645

STRATEGIC CHARITABLE GIVING FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Unaudited)

3. Investments (cont'd)

As at June 30, 2019

Number of units / shares	Name of Mutual Funds / Securities	Fair value	Average cost	Unrealized Gain/(Loss)
Ineligible Mutual Funds		\$	\$	\$
Other Mutual Funds / Equities				
15,488	IG Canadian Equity Income Fund	181,272	181,272	—
1,292	IG FI Canadian Equity Class	20,000	20,000	—
692	IG Pacific International Fund	10,105	10,105	—
4,101	Investors Canadian High Yield Income Fund	39,908	39,908	—
76	Investors Canadian Money Market Fund	764	764	—
2,048	Investors Core U.S. Equity Fund	20,000	20,000	—
1,424	Investors European Equity Fund	20,000	20,000	—
2,088	Investors Mutual of Canada	24,799	24,799	—
657	Investors US Large Cap Value Class	11,448	11,448	—
		328,296	328,296	—
Total Investments		279,433,201	274,362,336	5,070,865

STRATEGIC CHARITABLE GIVING FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Unaudited)

3. Investments (cont'd)

As at December 31, 2018 (Audited)

Number of units / shares	Name of Mutual Funds	Fair value	Average cost	Unrealized Gain/(Loss)
	Eligible Mutual Funds	\$	\$	\$
	Mackenzie			
195,098	Mackenzie Canadian Growth Balanced Fund	2,188,092	2,289,273	(101,181)
1,393,929	Mackenzie Global Strategic Income Fund	18,140,439	18,506,052	(365,613)
1,968,472	Mackenzie Income Fund	6,631,526	7,698,203	(1,066,677)
13,659	Mackenzie Ivy Canadian Balanced Fund	161,249	185,345	(24,096)
409,344	Mackenzie Ivy Global Balanced Fund	5,079,572	5,164,402	(84,830)
5,087	Mackenzie Moderate Growth ETF Portfolio	47,198	51,191	(3,993)
49,512	Mackenzie Monthly Income Balanced Portfolio	492,806	503,672	(10,866)
981	Mackenzie Monthly Income Conservative Portfolio	9,451	9,944	(493)
334,665	Mackenzie Private Global Income Balanced Pool	4,542,798	4,976,263	(433,465)
201,399	Mackenzie Private Income Balanced Pool	2,882,212	3,221,254	(339,042)
633,552	Mackenzie Strategic Income Fund	6,723,739	7,421,219	(697,480)
4,541,357	Symmetry Balanced Portfolio	54,784,686	56,475,987	(1,691,301)
61,874	Symmetry Conservative Income Portfolio	640,301	665,393	(25,092)
198,587	Symmetry Conservative Portfolio	2,364,648	2,453,549	(88,901)
966,528	Symmetry Moderate Growth Portfolio	12,909,940	13,373,528	(463,588)
		117,598,657	122,995,275	(5,396,618)
	Quadrus			
308,792	Balanced Folio Fund	4,505,719	4,273,606	232,113
688,440	Monthly Income Fund (London Capital)	7,683,800	8,570,325	(886,525)
177,531	Moderate Folio Fund	2,180,321	2,204,271	(23,950)
5,375	Income Fund (Portico)	81,475	77,824	3,651
		14,451,315	15,126,026	(674,711)
	Investors Group			
150,948	IG Core Portfolio - Income Focus	1,645,331	1,689,574	(44,243)
717,297	IG Core Portfolio - Income Balanced	7,627,789	8,002,144	(374,355)
1,042,926	IG Managed Payout Portfolio with Growth	11,180,774	11,222,111	(41,337)
73,504	IG Managed Payout Portfolio	798,332	785,759	12,573
4,805,250	Investors Dividend Fund	62,912,322	70,495,539	(7,583,217)
2,049,840	Investors Income Plus Portfolio	17,274,883	18,272,622	(997,739)
1,725,219	IG Managed Risk Portfolio - Income Balanced	17,173,554	17,778,050	(604,496)
		118,612,985	128,245,799	(9,632,814)

STRATEGIC CHARITABLE GIVING FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Unaudited)

3. Investments (cont'd)

As at December 31, 2018 (Audited)

Number of units / shares	Name of Mutual Funds / Securities	Fair value	Average cost	Unrealized Gain/(Loss)
	Ineligible Mutual Funds	\$	\$	\$
	Other Mutual Funds / Equities			
260	Abheuser-Busch Inbev NPV	23,094	23,094	—
187	Berkshire Hathaway-B-New	52,087	52,087	—
326	Bank of Nova Scotia	22,429	22,429	—
557	Brookfield Asset Management-A LV	28,908	28,908	—
30	Brookfield Infrastructure Partners L.P. Units	1,384	1,384	—
28	Brookfield Property Partners L.P. Units	599	599	—
42	CI American Value Corporate Class	750	750	—
37	CI Canadian Investment Corporate Class	750	750	—
250	Cisco Systems Inc	14,594	14,594	—
110	Coca Cola Company	7,105	7,105	—
2,137	Counsel Monthly Income Portfolio	19,918	19,918	—
3	Sentry Canadian Income Class	38	38	—
30	Harbour Corporate Class	750	750	—
269	Mackenzie Global Dividend Fund	5,000	5,000	—
20	Mackenzie US Mid Cap Growth Class	1,000	1,000	—
3,349	Manulife Financial Corporation	64,000	64,000	—
972	National Bank of Canada	54,257	54,257	—
500	Proctor & Gamble Co.	62,223	62,223	—
46	Signature Emerging Markets Corporate Class	750	750	—
2,200	Toronto Dominion Bank	148,786	148,786	—
		508,422	508,422	—
Total Investments		251,171,379	266,875,522	(15,704,143)

STRATEGIC CHARITABLE GIVING FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Unaudited)

3. Investments (cont'd)

The Foundation holds investments in eligible mutual funds which are subject to currency risk, interest rate risk and other price risk. These risks will also impact future cash flow streams of the Foundation, including dividend and interest income, gains and losses and administration fees. Currency risk arises when the fair value of financial instruments that are denominated in a currency other than the Canadian dollar, which is the Foundation's reporting currency, fluctuates due to changes in exchange rates.

Interest rate risk arises when the fair value of interest-bearing financial instruments fluctuates due to changes in the prevailing levels of market interest rates.

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment.

The Foundation manages these risks by holding a diverse portfolio of eligible mutual funds. Each fund is actively managed by a team of professional, experienced portfolio advisors, who monitor the funds' positions and market events daily, and diversify the Funds' portfolios within the constraints of each Fund's investment objective.

The Foundation does not enter into any derivative instrument arrangements for hedging or speculative purposes.

There has been no change to the risk exposure from 2018.

4. Related Party Transactions

(a) Charitable administration fees

The charitable administration fees are payable to Mackenzie, a related party, and are subject to reductions on Account assets of \$500,000 or more, as set out below for accounts administered under the Mackenzie and Quadrus programs. In addition to the charitable administration fees charged by the Foundation, the Foundation's investments in eligible mutual funds are also subject to management fees and operating expenses charged by those mutual funds.

<u>Account Balance</u>	<u>Fee</u>
On Account assets under \$500,000	1.00%
On Account assets from \$500,000 to under \$1,500,000	0.85%
On Account assets from \$1,500,000 to \$2,500,000	0.75%
On Account assets above \$2,500,000	Fee is negotiable between the donor and Mackenzie

Accounts administered under the Investors Group program are charged a flat fee of \$500 per year for accounts established after December 31, 2015 and \$250 per year for accounts established prior to January 1, 2016.

(b) Operating expenses

Under the Charitable Administration Services Agreement (the "Agreement") between the Foundation and Mackenzie, Mackenzie arranges for the provision of other services (other than those covered by the charitable administration fee) for the Foundation. The cost of these services is a direct expense of the Foundation and includes such items as: external auditor and legal fees, regulatory filing fees, insurance and printing of the annual report. Under the Agreement, Mackenzie may be required to fund the payment for such services and is reimbursed by the Foundation.

Also included in operating expenses are management fees paid to Mackenzie for certain high net worth mutual fund series offered under the Mackenzie Program for qualifying donors of \$58,857 (June 30, 2018 – \$46,666). Rather than collecting a management fee directly from the mutual fund, Mackenzie collects a management fee by redeeming securities from these mutual funds series. The proceeds from these redemptions are payable to Mackenzie by the Foundation.

(c) Subsequent event

Effective July 1, 2019, the charitable administration fee will be chargeable to all Accounts under the Mackenzie and Quadrus Programs at a fixed rate of 0.55% of the Account Balance. Non-management fee operating expenses will no longer be separately charged to the Foundation and instead will be paid by Mackenzie from the charitable administration fees chargeable to the Accounts.

STRATEGIC CHARITABLE GIVING FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Unaudited)

5. Administration Fee Payable

Included in administration fee payable are government remittances payable of \$31,789 (December 31, 2018 – \$30,542) related to harmonized sales taxes payable.

6. Program Enhancements

(a) 2019 Program Enhancements

For the period ended June 30, 2019, no program enhancements were implemented.

(b) 2018 Program Enhancements

Effective January 2, 2018, the following mutual funds were added to the list of eligible mutual funds available under the Mackenzie Program:

- Mackenzie Global Sustainability and Impact Balanced Fund
- Mackenzie US Strategic Income Fund

Effective April 20, 2018, the following mutual funds were added to the list of eligible mutual funds available under the Mackenzie Program:

- Mackenzie Balanced ETF Portfolio
- Mackenzie Conservative ETF Portfolio
- Mackenzie Conservative Income ETF Portfolio
- Mackenzie Growth ETF Portfolio
- Mackenzie Moderate Growth ETF Portfolio

Effective November 1, 2018, the following eligible mutual funds under the Investors Group Program underwent a name change:

<u>Former Name</u>	<u>New Name</u>
Allegro Income Portfolio	IG Core Portfolio - Income Focus
Allegro Income Balanced Portfolio	IG Core Portfolio - Income Balanced
Alto Monthly Income Portfolio	IG Managed Payout Portfolio
Alto Monthly Income and Growth Portfolio	IG Managed Payout Portfolio with Growth
Maestro Income Balanced Portfolio	IG Managed Risk Portfolio - Income Balanced