Financial Statements of

LGBT PURGE FUND

Period from October 19, 2018 to December 31, 2018

KPMG LLP
150 Elgin Street, Suite 1800
Ottawa ON K2P 2P8
Canada
Telephone 613-212-5764
Fax 613-212-2896

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the LGBT Purge Fund

Opinion

We have audited the financial statements of the LGBT Purge Fund (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the period from October 19, 2018 to December 31, 2018
- the statement of changes fund balances for the period from October 19, 2018 to December 31, 2018
- 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 Entity for the period from October 19, 2018 to December 31, 2018, and its results of operations and its cash flows for the period 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 “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the Entity 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.

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

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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.

- 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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

May 31, 2019

LGBT PURGE FUND

Statement of Financial Position

Period ended December 31, 2018

		2018
Assets		
Current assets:		
Cash	$	–
Liabilities and Net Assets		
Current liabilities:		
Bank indebtedness (note 2)	$	24,032
Accrued liabilities (note 3)		25,402
		49,434
Net deficit		(49,434)
	$	–

See accompanying notes to financial statements.

On behalf of the Board:

____________________ Director

____________________ Director

LGBT PURGE FUND

Statement of Operations and Changes in Net Assets

Period from October 19, 2018 to December 31, 2018

		2018
Revenue:		
Government legal settlement payment	$	–
Expenses:		
Legal and professional fees		25,045
Travel - Board of Directors		19,626
Travel - Other		2,998
Projects		1,108
Other		657
Excess of expenses over revenue		49,434
Net assets, beginning of period		–
Net deficit, end of period	$	(49,434)

See accompanying notes to financial statements.

The LGBT Purge Fund (the "Entity") is a not-for-profit organization established and incorporated on October 19, 2018 under the Canada Not-for-Profit Corporations Act. As the Entity is not-for-profit, it is exempt from income taxes under paragraph 149(1)(l) of the Income Tax Act (Canada).

Its mandate is to receive, hold, invest, manage and disburse funds entrusted to it in accordance with the Final Settlement Agreement (approved by the Federal Court of Canada on June 18, 2018) and the Second Supplementary Agreement (approved by the Federal Court of Canada on March 5, 2019) in the matter of *Ross et al v Canada.* The Entity will fund the mandatory projects identified in the Final Settlement Agreement and will also fund additional projects or initiatives in accordance with its mandate, objects, and with the approval of the Board of Directors of the Entity.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with the Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook – Accounting and follows the deferral method of accounting for contributions.

The significant accounting policies are as follows:

(a) Revenue recognition:

Restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount receivable can be reasonably estimated and its collection is reasonably assured.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Entity has not elected to carry any such financial instruments at fair value.

Financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal period if there are indicators of impairment. If there is an indicator of impairment, the Entity 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 Entity 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.

1. Significant accounting policies (continued):

(c) Use of estimates:

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 period. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

2. Bank indebtedness:

The Entity has a credit facility for $100,000 with a Canadian financial institution, made up of a $90,000 line of credit and $10,000 in credit card limits. At period-end, $27,567 was drawn against this facility.

3. Accrued liabilities:

At period-end, there were no amounts payable for government remittances.

4. Financial risk management:

The Entity does not believe it is exposed to significant, market, interest rate, or credit risk arising from its financial instruments.

5. Statement of cash flows:

A statement of cash flows has not been included as it would not provide additional meaningful information.

6. Subsequent Event:

On March 5, 2019 the Federal Court of Canada approved the Second Supplementary Agreement which provides the authority for the Entity to receive the funds and expend them in accordance with the Final Settlement Agreement, and the Supplementary Agreements that have been approved by the Court. On March 6, 2019 the Entity received $15 million from the Government representing the Principal portion of the fund.