

Financial Statements of

LGBT PURGE FUND

And Independent Auditors' Report thereon

Year ended December 31, 2020



KPMG LLP
150 Elgin Street, Suite 1800
Ottawa ON K2P 2P8
Canada
Tel 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, 2020
- the statement of operations and 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 Entity for the year then ended, and its results of operations and 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 “***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.



Page 3

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 19, 2021

LGBT PURGE FUND

Statement of Financial Position

December 31, 2020, with comparative information for 2019

| | 2020 | 2019 |
|---|---------------|---------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents (note 2) | \$ 13,484,942 | \$ 14,734,218 |
| Interest receivable | 9,145 | 28,786 |
| HST receivable | 44,031 | – |
| | <hr/> | <hr/> |
| | \$ 13,538,118 | \$ 14,763,004 |
| Liabilities and Net Deficit | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 3) | \$ 41,175 | \$ 58,535 |
| Deferred settlement revenue | 13,496,943 | 14,718,098 |
| Net deficit | – | (13,629) |
| Impact of COVID-19 pandemic (note 6) | | |
| Subsequent event (note 7) | | |
| | <hr/> | <hr/> |
| | \$ 13,538,118 | \$ 14,763,004 |

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

LGBT PURGE FUND

Statement of Operations and Changes in Net Assets

Year ended December 31, 2020 with comparative information for 2019

| | 2020 | 2019 |
|--|------------------|--------------------|
| Revenue: | | |
| Government legal settlement payment (annual allocation) | \$ 1,221,154 | \$ 281,902 |
| Interest Income | 188,891 | 282,268 |
| | <u>1,410,045</u> | <u>564,170</u> |
| Expenses: | | |
| Operating expenses (schedule 1) | 247,351 | 246,463 |
| Project expenses (schedule 2): | | |
| LGBTQ2 National Monument Project | 534,365 | 176,407 |
| Training, Diversity and Inclusion Project ("Schedule K") | 242,960 | 34,252 |
| CMHR Exhibition | 136,596 | 14,164 |
| Historical Documents ("Schedule L") | 43,686 | 10,300 |
| Community Grants and Projects | 191,458 | 46,779 |
| | <u>1,396,416</u> | <u>528,365</u> |
| Excess of revenue over expenses | 13,629 | 35,805 |
| Net deficit, beginning of year | (13,629) | (49,434) |
| Net deficit, end of year | <u>\$ —</u> | <u>\$ (13,629)</u> |

See accompanying notes to financial statements.

LGBT PURGE FUND

Statement of Cash Flows

Year ended December 31, 2020 with comparative information for 2019

| | 2020 | 2019 |
|--|---------------|---------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Excess of revenue over expenses | \$ 13,629 | \$ 35,805 |
| Change in non-cash operating working capital | | |
| Interest receivable | 19,641 | (28,786) |
| HST receivable | (44,031) | – |
| Accounts payable and accrued liabilities | (17,360) | 33,133 |
| Deferred settlement revenue | (1,221,155) | 14,718,098 |
| | (1,262,905) | 14,722,445 |
| Increase (decrease) in cash | (1,249,276) | 14,758,250 |
| Cash (bank indebtedness), beginning of year | 14,734,218 | (24,032) |
| Cash, end of year | \$ 13,484,942 | \$ 14,734,218 |

See accompanying notes to financial statements.

LGBT PURGE FUND

Notes to Financial Statements

Year ended December 31, 2020

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 year 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 year 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 year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

LGBT PURGE FUND

Notes to Financial Statements (continued)

Year ended December 31, 2020

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 year. 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 year in which they become known.

2. Credit facilities:

The Entity has a credit facility for \$75,000 with a Canadian financial institution, made up of a \$50,000 line of credit and \$25,000 in credit card limits. At year-end, \$630 (2019 - \$2,414) was drawn against this facility.

3. Accrued liabilities:

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

4. Financial risk management:

(a) Liquidity risk:

Liquidity risk is the risk that the Entity will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Entity does not believe it is subject to significant liquidity risk.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Entity does not believe it is subject to significant credit risk.

(c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

(i) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Entity does not hold financial instruments in foreign currencies and does not believe it is subject to significant currency risk.

LGBT PURGE FUND

Notes to Financial Statements (continued)

Year ended December 31, 2020

4. Financial risk management (continued):

(c) Market risk (continued):

(ii) Interest rate and other price risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Entity is exposed to interest rate risk as a result of its cash equivalents and credit facilities. The Entity does not believe it is subject to significant other price risk.

5. Comparative information:

Certain 2019 comparative information has been reclassified to conform with the financial statement presentation adopted for 2020.

6. Impact of COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. The situation is fluid and the ultimate duration and magnitude of the impact on the economy and on all aspects of operations are unknown.

Management has been forthright in undertaking certain strategies and actions to respond to the COVID-19 outbreak. The health and safety of all staff has been reinforced as a priority for the Entity, and management invoked a work-from-home regime, suspended domestic and international travel, and shifted face-to-face meetings to digital methods.

Financial statements are required to be adjusted for events occurring up to the date of the auditors' report which provide additional evidence relating to conditions that existed at year-end. Management has assessed the financial impacts and there are no additional adjustments required to the financial statements at this time.

The ultimate duration and magnitude of the pandemic's impact on the Entity's operations and financial operations is not known at this time. These impacts could include a decline in future cash flows, changes to the value of assets and liabilities and the use of accumulated net assets to sustain operations. An estimate of the financial effect of the pandemic is not predictable at this time.

LGBT PURGE FUND

Notes to Financial Statements (continued)

Year ended December 31, 2020

7. Subsequent event:

Pursuant to terms of the Final Settlement Agreement of the LGBT Purge Class Action lawsuit (*Ross et al v Canada*), the Fund received a payment of \$8,713,413 on April 22, 2021 to be used for Reconciliation and Memorialization Measures.

LGBT PURGE FUND

Schedule 1 – Schedule of Operating Expenses

Year ended December 31, 2020 with comparative information for 2019

| | 2020 | 2019 |
|--|-------------------|-------------------|
| Operating expenses: | | |
| Salary | \$ 142,783 | \$ 36,925 |
| Legal and professional fees | 47,047 | 21,417 |
| Stipends | 19,740 | 23,080 |
| Promotional and communication expenses | 16,798 | 59,499 |
| Office and administrative expenses | 7,819 | 8,644 |
| Other | 6,615 | 6,431 |
| Translation | 2,688 | 353 |
| Travel | 2,111 | 75,586 |
| Donations | 1,750 | – |
| Consultant | – | 11,393 |
| Hospitality | – | 3,135 |
| | <u>\$ 247,351</u> | <u>\$ 246,463</u> |

LGBT PURGE FUND

Schedule 2 – Schedule of Project Expenses

Year ended December 31, 2020 with comparative information for 2019

| | 2020 | 2019 |
|--|-------------------|-------------------|
| LGBTQ2 National Monument Project: | | |
| Contract project costs | \$ 511,000 | \$ – |
| Legal and professional fees | 9,873 | – |
| Consultant | 8,448 | 111,418 |
| Translation | 4,366 | 5,803 |
| Travel and other | 678 | 48,814 |
| Workshops | – | 10,372 |
| | \$ 534,365 | \$ 176,407 |
| Training, Diversity and Inclusion Project (“Schedule K”): | | |
| Contract project costs | \$ 238,840 | \$ – |
| Travel | 3,129 | 6,362 |
| Consultant | 991 | 17,068 |
| Translation | – | 6,634 |
| Legal and professional fees | – | 4,188 |
| | \$ 242,960 | \$ 34,252 |
| CMHR Exhibition: | | |
| Contract project costs | \$ 100,000 | \$ – |
| Consultant | 23,441 | – |
| Promotional and communication expenses | 6,223 | – |
| Legal and professional fees | 6,001 | 2,509 |
| Translation | 931 | – |
| Travel | – | 11,655 |
| | \$ 136,596 | \$ 14,164 |
| Historical Documents (“Schedule L”): | | |
| Legal and professional fees | \$ 30,253 | \$ – |
| Contract project costs | 12,800 | – |
| Travel | 379 | 9,836 |
| Other | 254 | 464 |
| | \$ 43,686 | \$ 10,300 |
| Community Grants and Projects: | | |
| Grant expense | \$ 180,707 | \$ 33,197 |
| Travel | 5,689 | 13,582 |
| Legal and professional fees | 5,062 | – |
| | \$ 191,458 | \$ 46,779 |