

Financial Statements

Compassion House Foundation

February 28, 2021

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Independent Auditor's Report

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To the Board of Directors of Compassion House Foundation

Qualified Opinion

We have audited the financial statements of Compassion House Foundation (the "Foundation"), which comprise the statement of financial position as at February 28, 2021, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly in all material respects, the financial position of Compassion House Foundation as at February 28, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended February 28, 2021 and February 29, 2020, current assets as at February 28, 2021 and February 29, 2020, and net assets as at March 1 and February 28, 2021 and March 1 and February 29, 2020. Our audit opinion on the financial statements for the year ended February 29, 2020 was modified accordingly because of the possible effects of this limitation in scope.

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 are independent of the Foundation 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 qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statement

Management is responsible for the preparation and fair presentation of these 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.

Edmonton, Canada
June 17, 2021



Chartered Professional Accountants

Compassion House Foundation

Statement of Operations

Year ended

February 28, February 29,
2021 2020

	<u>General</u>	Sorrentino's Compassion <u>House</u>	<u>Total</u>	<u>Total</u>
Revenues				
Net investment income (Note 7)	\$ 304,527	\$ -	\$ 304,527	\$ 286,309
Donations	303,705	-	303,705	209,761
Fashion show (Note 8)	223,816	-	223,816	592,981
Accommodation fees	-	136,308	136,308	156,650
Wage Subsidy	108,834	-	108,834	-
Amortization of deferred capital contributions (Note 6)	90,929	-	90,929	93,600
Grants	37,000	-	37,000	-
Casino and raffle	-	47,876	47,876	70,071
Special events	45,777	-	45,777	68,715
In-kind donations	11,412	-	11,412	24,921
Rental income	10,116	-	10,116	17,100
CEBA loan forgiveness (Note 1)	10,000	-	10,000	-
Sustainability fund contributions	-	5,700	5,700	5,700
	<u>1,146,116</u>	<u>189,884</u>	<u>1,336,000</u>	<u>1,525,808</u>
Direct expenses				
Fashion show	81,991	-	81,991	340,267
In-kind donations	11,412	-	11,412	24,921
Special events	-	-	-	7,138
	<u>93,403</u>	<u>-</u>	<u>93,403</u>	<u>372,326</u>
Operating expenses				
Accounting	-	-	-	9,097
Advertising	15,754	-	15,754	20,849
Ambassador Program	-	2,460	2,460	-
Amortization	-	111,383	111,383	128,559
Bank charges	5,112	5,112	10,224	9,430
Business license	5,303	-	5,303	3,636
Computer maintenance	37,177	37,177	74,354	36,240
Education and training	2,376	2,376	4,752	5,389
Insurance	-	22,176	22,176	22,154
Meetings	702	-	702	5,939
Office and sundry	4,840	4,840	9,680	9,930
Postage and courier	205	205	410	6,452
Professional fees	13,098	13,098	26,195	60,640
Programs and community relations	6,394	4,514	10,908	113,797
Repairs and maintenance	-	120,362	120,362	127,184
Salaries and benefits	439,556	188,381	627,938	599,294
Supplies	-	22,911	22,911	17,782
Telephone and utilities	3,164	37,350	40,514	43,250
Travel	833	-	833	4,293
Volunteer recognition	687	-	687	584
	<u>535,201</u>	<u>572,345</u>	<u>1,107,546</u>	<u>1,124,499</u>
Excess (deficiency) of revenues over expenses	<u>\$ 517,512</u>	<u>\$ (382,461)</u>	<u>\$ 135,051</u>	<u>\$ 28,983</u>

See accompanying notes to the financial statements.

Compassion House Foundation
Statement of Changes in Net Assets

Year ended

**February 28,
2021**

February 29,
2020

	<u>General</u>	Investment in tangible capital assets (Note 9)	Internally restricted sustainability fund (Note 10)	<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ 2,753,432	\$ 1,477,632	\$ 2,143,074	\$ 6,374,138	\$ 6,345,155
Excess (deficiency) of revenues over expenses	155,505	(20,454)	-	135,051	28,983
Transfer to internally restricted fund (Note 10)	(5,700)	-	5,700	-	-
Transfer to investment in tangible capital asset fund (Note 9)	<u>10,204</u>	<u>(10,204)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 2,913,441</u>	<u>\$ 1,446,974</u>	<u>\$ 2,148,774</u>	<u>\$ 6,509,189</u>	<u>\$ 6,374,138</u>

See accompanying notes to the financial statements.

Compassion House Foundation

Statement of Financial Position

As at	February 28, 2021	February 29, 2020
Assets		
Current		
Cash	\$ 171,682	\$ 140,903
Short-term marketable securities (Note 3)	5,160,122	4,883,084
Accounts receivable	1,000	10,496
Goods and services tax recoverable	4,304	9,739
Prepays and term deposits	<u>7,058</u>	<u>6,412</u>
	5,344,166	5,050,634
Long-term marketable securities (Note 3)	-	125,000
Tangible capital assets (Note 4)	<u>4,318,172</u>	<u>4,439,759</u>
	<u>\$ 9,662,338</u>	<u>\$ 9,615,393</u>
Liabilities		
Current		
Accounts payable and accruals	\$ 53,479	\$ 48,186
Deferred contributions (Note 5)	163,739	230,939
Deferred capital contributions (Note 6)	<u>2,905,931</u>	<u>2,962,130</u>
	3,123,149	3,241,255
CEBA Loan	<u>30,000</u>	<u>-</u>
	<u>3,153,149</u>	<u>3,241,255</u>
Net assets		
General fund - unrestricted	2,913,441	2,753,432
Investment in tangible capital assets (Note 9)	1,446,974	1,477,632
Internally restricted (Note 10)	<u>2,148,774</u>	<u>2,143,074</u>
	<u>6,509,189</u>	<u>6,374,138</u>
	<u>\$ 9,662,338</u>	<u>\$ 9,615,393</u>

On behalf of the Board

_____ Director

_____ Director

Compassion House Foundation

Statement of Cash Flows

Year ended February 28,
2021 February 29
2020

Increase (decrease) in cash and cash equivalents

Operating

Excess of revenues over expenses	\$ 135,051	\$ 28,983
Amortization of tangible capital assets	111,383	128,559
Amortization of capital contributions	(90,929)	(93,600)
Amortization of CEBA loan	(10,000)	-
Realized gain on sale of marketable securities	(213,388)	(6,533)
Unrealized loss (gain) on changes in fair value of marketable securities	<u>237,161</u>	<u>(142,847)</u>
	169,278	(85,438)
Change in non-cash operating working capital:		
Accounts receivable	9,496	(10,496)
Goods and services tax recoverable	5,435	2,008
Prepays	26,563	706
Accounts payable and accruals	5,293	(2,341)
Deferred contributions - net	<u>(67,200)</u>	<u>(62,932)</u>
	148,865	(158,493)

Investing

Purchase of marketable securities	(6,133,443)	(1,687,889)
Proceeds from sale of marketable securities	5,957,632	1,824,604
Purchase of tangible capital assets	(17,005)	(14,849)
Decrease in restricted cash	<u>14,717</u>	<u>48,721</u>
	(178,099)	170,587

Financing

Proceeds from capital contributions	34,370	-
Proceeds from CEBA loan	<u>40,000</u>	<u>-</u>
	74,730	-

Net increase in cash and cash equivalents	45,496	12,094
Cash and cash equivalents, beginning of year	<u>97,430</u>	<u>85,336</u>
Cash and cash equivalents, end of year	\$ 142,926	\$ 97,430

Non-cash transaction:	<u>2021</u>	<u>2020</u>
Donation of capital asset	<u>\$ -</u>	<u>\$ 30,286</u>

Cash consists of the following:	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 142,926	\$ 97,430
Restricted casino funds	<u>28,756</u>	<u>43,473</u>
	\$ 171,682	\$ 140,903

Compassion House Foundation

Notes to the Financial Statements

February 28, 2021

1. Purpose of the Foundation

The Compassion House Foundation (the “Foundation”) is dedicated to providing accommodation facilities and a sanctuary of care and compassion for cancer patients and their families during treatment and recovery. The Foundation was incorporated under the Societies Act of Alberta as a not-for-profit organization, is a registered charity under the Income Tax Act and is exempt from income taxes.

In March 2020, the World Health Organization declared a global pandemic related to the COVID-19 virus. The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, organizations are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing and closures of non-essential services have triggered significant disruptions to operations worldwide, resulting in an economic slowdown. Governments and central banks have responded with monetary and fiscal interventions to stabilize the economic conditions.

The Foundation has been impacted by a reduction in fundraising revenue due to the inability to host fundraising events. The Foundation will continue to monitor cash from operations and its operating costs in order to manage its exposure to possible liquidity risk resulting from any ongoing reduction in operating revenue.

During the year, the Foundation was eligible to receive funding from the Federal government under the Canada Emergency Wage Subsidy (CEWS) program. Under the CEWS program, the Foundation was entitled to receive a subsidy equal to a percentage of an employee’s wage – up to a set amount per week. During 2020, the Foundation has recognized revenue of \$108,834, which has been disclosed as Canada Emergency Wage Subsidy in the statement of operations.

The Foundation also qualified for the Canada Emergency Business Account (CEBA) in the amount of \$40,000. This funding from the Federal Government provides interest-free loans to not-for-profit organizations to cover operating costs during COVID-19. If the loan is repaid in full prior to December 31, 2022, this will result in loan forgiveness of 25 percent of the loan balance. The Foundation intends to repay the loan prior to the deadline, and as such, has recognized \$10,000 of the amount borrowed as CEBA loan forgiveness in the statement of operations.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, continue to remain unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Foundation for future periods.

2. Summary of significant accounting policies

These financial statements are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”) and reflect the following significant accounting policies:

Compassion House Foundation

Notes to the Financial Statements

February 28, 2021

2. Summary of significant accounting policies (cont'd)

Use of estimates and measurement uncertainty

In preparing the Foundation's financial statements in conformity with ASNPO, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Significant estimates included in these financial statements are the useful lives of tangible capital assets, impairment tests for long-lived assets and fair value of marketable securities.

Allocation of expenses

The Foundation engages in providing accommodation facilities and fundraising. The costs of each program include the costs of personnel, premises and other expenses that are directly related to providing the program. The Foundation also incurs a number of general support expenses that are common to the administration of the Foundation and each of its programs.

The costs incurred for fundraising are included in the general category in the statement of operations. The costs incurred for accommodation facilities are included in the Sorrentino's Compassion House category in the statement of operations.

The Foundation allocates certain of its expenses by identifying the appropriate basis of allocating each component expense, and applies that basis consistently each year. General support expenses are allocated on the following basis:

Amortization – proportionately on the basis of the cost of tangible capital assets within the programs;

Salaries and benefits – on the basis of the number of people employed within the program; and

Remaining operating expenses – on the estimated consumption attributable to the running of the Sorrentino's Compassion House accommodation facility and the fundraising activity of the Foundation.

Revenue recognition

The Foundation follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions received for the purchase of capital assets that will be amortized are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets. 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.

Compassion House Foundation

Notes to the Financial Statements

February 28, 2021

2. Summary of significant accounting policies (cont'd)

Revenue recognition (cont'd)

Other revenues are recognized as revenue when the related service is performed and when reasonable assurance exists regarding the measurement and collection of the consideration received.

Investment income on marketable securities is recorded as revenue when earned.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash.

Short-term investments which are highly liquid or convertible to cash in less than one year and used to support the operations of the Foundation are included in short-term marketable securities. Investments with an original maturity of greater than one year are included in long-term marketable securities.

The Foundation's definition of investing activities for the statement of cash flows includes short term investments in marketable securities and restricted cash.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing rate of exchange at the balance sheet date. Revenues and expenses are translated at the exchange rates prevailing on the transaction dates. The Foundation does not use derivative instruments to mitigate foreign exchange risk.

Financial instruments

Initial measurement:

The Foundation's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Subsequent measurement:

At each reporting date, the Foundation measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for equities quoted in an active market, which must be measured at fair value. The Foundation has also irrevocably elected to measure its investments in bonds at fair value. All changes in fair value of the Foundation's investments in equities quoted in an active market and in bonds are recorded in the statement of operations. The Foundation uses the effective interest method to amortize any premiums, discounts, transaction fees and financing fees to the statement of operations. The financial instruments measured at amortized cost are cash and cash equivalents, accounts receivable and accounts payable and accruals. The carrying value of financial instruments approximates their fair value due to the short-term nature, unless otherwise noted.

Compassion House Foundation

Notes to the Financial Statements

February 28, 2021

2. Summary of significant accounting policies (cont'd)

Financial instruments (cont'd)

For financial assets measured at cost or amortized cost, the Foundation regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Foundation determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Tangible capital assets

Purchased tangible capital assets are recorded at cost less accumulated amortization. Contributed tangible capital assets are recorded at fair value at the date of contribution, when fair value can be reasonably determined.

The Foundation provides for amortization on all tangible capital assets on a straight-line basis over their estimated useful lives as follows:

Buildings	20 – 40 years
Furnishings	10 years
Landscaping	40 years
Office equipment	5 years
Appliances	10 years
Computer equipment	3 years
Resource material	5 years
Computer software	3 years

Costs are capitalized on buildings which are under development, including all expenditures incurred in connection with the acquisition, development, and construction. Amortization of the asset commences when the building is complete and available for use.

Donated materials and contributed services

Donated materials and services are recorded at fair value as determined on the date contributed when the fair value can be reasonably estimated and when the materials and services are normally purchased by the Foundation.

The Foundation is dependent upon the services provided by its volunteers and Board of Directors. Volunteers contributed numerous hours in carrying out the activities of the Foundation. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Impairment of long-lived assets

Long lived assets, including tangible capital assets, are reviewed for impairment when events or circumstances indicate that their carrying value exceeds the sum of the undiscounted cash flows expected from their use and eventual disposal. An impairment loss is measured as the amount by which the long lived assets' carrying value exceeds the fair value. No impairment was recognized for the fiscal year ended February 28, 2021.

Compassion House Foundation

Notes to the Financial Statements

February 28, 2021

3. Marketable securities

	<u>2021</u>	<u>2020</u>
<u>Short-term</u>		
Core equity fund	-	473,303
Canadian bond fund	-	2,714,232
US rising dividends fund	-	122,476
Money market fund	-	267,485
FT US core equity fund	-	308,453
US Opportunity Fund	-	85,953
International Core Equity Fund	-	523,804
Canadian Core Equity Fund	-	387,378
Mawer Canadian Money Market Fund Series O	176,385	-
Canadian Bond Pooled Fund	2,640,936	-
Canadian Equity Pooled Fund	950,628	-
US Equity Fund Series O	639,397	-
International Equity Pooled Fund	627,776	-
Guaranteed investment certificates, bearing interest at 2.6%, maturing April 2, 2021	<u>\$ 125,000</u>	<u>\$ 125,000</u>
	<u>\$ 5,160,122</u>	<u>\$ 4,883,084</u>
<u>Long-term</u>		
Guaranteed investment certificates, bearing interest at 2.6%, maturing April 2, 2021 (2020 – maturing April 2, 2021)	<u>\$ -</u>	<u>\$ 125,000</u>

The cost of marketable securities is \$5,477,071 (2020 - \$4,746,922).

The fair values of marketable securities are based on quoted market prices and are subject to significant fluctuations in the equity market. Marketable securities in foreign equities of \$1,267,173 CDN (2020 - \$1,040,686 CDN) maybe subject to currency risk. Management has responded with a policy of monitoring market values of the investment portfolio as well as portfolio diversification to mitigate the Foundation's exposure to market and foreign currency risk.

The securities are held for purposes of funding future operations of Sorrentino's Compassion House.

Compassion House Foundation

Notes to the Financial Statements

February 28, 2021

4. Tangible capital assets

		<u>Accumulated</u>	<u>2021</u>	<u>2020</u>
	<u>Cost</u>	<u>Amortization</u>	<u>Net</u>	<u>Net</u>
			<u>Book Value</u>	<u>Book Value</u>
Land	\$ 965,160	\$ -	\$ 965,160	\$ 965,160
Building	4,303,215	994,227	3,308,988	3,416,568
Furnishings	397,849	370,592	27,257	30,286
Landscaping	30,960	14,193	16,767	17,540
Office equipment	40,846	40,846	-	1,848
Appliances	39,861	39,861	-	-
Computer equipment	25,015	25,015	-	-
Resource material	8,234	8,234	-	-
Computer software	-	-	-	8,357
	<u>\$ 5,811,140</u>	<u>\$ 1,492,968</u>	<u>\$ 4,318,172</u>	<u>\$ 4,439,759</u>

During the year, a fully depreciated damaged vehicle was written off with nil residual proceeds.

5. Deferred contributions

Deferred contributions represent unspent resources related to funds raised for specific expenditures other than the purchase of tangible capital assets. These funds are recognized as revenue when the related expenditures are incurred.

Changes in deferred contributions are as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 230,939	\$ 239,871
Add: contributions received during the year	66,400	25,100
Less: contribution recognized as revenue	<u>(133,599)</u>	<u>(88,032)</u>
Balance, end of year	<u>\$ 163,740</u>	<u>\$ 230,939</u>

The deferred contributions include the following:

Alberta Liquor and Gaming	\$ 28,756	\$ 43,473
Community van program funding	-	66,588
Compassion fund	39,718	46,718
Workshop/retreat funding	70,766	74,160
Grant from Community Foundation of Northwestern Alberta	<u>24,500</u>	<u>-</u>
	<u>\$ 163,740</u>	<u>\$ 230,939</u>

Compassion House Foundation

Notes to the Financial Statements

February 28, 2021

6. Deferred capital contributions

Deferred capital contributions represent amounts received specifically for the purchase of tangible capital assets, including the capital campaign. Contributors to the campaign contribute cash and in-kind donations as well as pledge amounts that are to be received by the Foundation in the future.

Contributions are recorded when received. Pledged amounts represent promised contributions from individuals and corporations. Given that pledged amounts are not legally enforceable claims, they have not been reflected in the financial statements. Outstanding pledges for the sustainability campaign for the year ending February 28, 2021 were \$7,000 (2020 - \$7,000), which is the total amount of pledges expected to be received during the year.

Funds are recognized as revenue on the same basis as the amortization expense related to the acquired tangible capital assets. Expenses related to fundraising for the capital campaign are expensed as incurred.

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 2,962,130	\$ 3,025,444
Add: contributions received during the year	34,730	30,286
Less: contributions recognized as revenue	<u>(90,929)</u>	<u>(93,600)</u>
Balance, end of year	<u>\$ 2,905,931</u>	<u>\$ 2,962,130</u>

7. Net investment income

	<u>2021</u>	<u>2020</u>
Investment income	\$ 348,659	\$ 165,330
Realized gain on sale of marketable securities	213,388	6,533
Unrealized (loss) gain from changes in fair value	(237,161)	142,847
Investment management fees	<u>(20,359)</u>	<u>(28,401)</u>
	<u>\$ 304,527</u>	<u>\$ 286,309</u>

8. Fashion show

Included in Fashion show revenues are donations of \$34,139 (2020 - \$80,080).

Compassion House Foundation

Notes to the Financial Statements

February 28, 2021

9. Investment in tangible capital assets

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	<u>\$ 1,477,632</u>	<u>\$ 1,497,742</u>
Amortization of tangible capital assets	<u>(111,383)</u>	(128,559)
Amortization of deferred capital contributions	<u>90,929</u>	<u>93,600</u>
Deficiency of revenue over expenses	<u>(20,454)</u>	<u>(34,959)</u>
Other items:		
Acquisition of tangible capital assets	17,005	14,849
Write-off of tangible capital assets	<u>(27,209)</u>	<u>-</u>
	<u>(10,204)</u>	<u>14,849</u>
Balance, end of year	<u>\$ 1,446,974</u>	<u>\$ 1,477,632</u>

10. Internally restricted sustainability funds

During the year, management and the board of directors internally restricted funds raised in the sustainability fund in the amount of \$5,700 (2020 - \$5,700). These funds will be used to support the operations of the Sorrentino's Compassion House.

	<u>2021</u>	<u>2020</u>
Sustainability fund	<u>\$ 2,148,774</u>	<u>\$ 2,143,074</u>

11. Financial instrument risks

The Foundation's main financial instrument risk exposure is detailed as follows:

The Foundation holds marketable security investments, which are subject to various risks such as interest rate and market fluctuations as foreign exchange risk. These risks are mitigated by restricting both the type and term of securities eligible for investment. The Foundation is subject to interest rate risk for fair value of future cash flows due to the variable rate applicable to the marketable securities. The Foundation is subject to market price risk on its investment in equities in an active market since changes in market prices could result in changes in the fair value of these investments. The Foundation is subject to currency risk primarily on its marketable securities which are invested in foreign currency investments. Changes in foreign currency rates expose the Foundation to cash flow and fair value risk on those investments.

It is management's opinion that the Foundation is not exposed to significant liquidity risk.