

Financial Statements of

**MAKE-A-WISH FOUNDATION
OF CANADA**

And Independent Auditors' Report thereon

Year ended September 30, 2021



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Make-A-Wish Foundation of Canada

Qualified Opinion

We have audited the financial statements of Make-A-Wish Foundation of Canada (the Entity), which comprise:

- the statement of financial position as at September 30, 2021
- 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, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at September 30, 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 charitable organizations, the Entity derives revenue from charitable donations, 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 Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at September 30, 2021 and September 30, 2020
- the donations and fundraising and donations-in-kind revenues and excess (deficiency) of revenue over expenses reported in the statements of operations for the years ended September 30, 2021 and September 30, 2020



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- the unrestricted net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended September 30, 2021 and September 30, 2020
- the excess (deficiency) of revenue over expenses reported in the statements of cash flows for the years ended September 30, 2021 and September 30, 2020.

Our opinion on the financial statements for the year ended September 30, 2020 was qualified 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 **"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 qualified 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.



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- 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

Vaughan, Canada

March 25, 2022

MAKE-A-WISH FOUNDATION OF CANADA

Statement of Financial Position

September 30, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 8,557,200	\$ 5,335,367
Short-term investments (note 2)	7,037,290	9,287,631
Accounts receivable (notes 3 and 11)	2,911,644	2,352,086
Prepaid expenses	142,311	470,955
	<u>18,648,445</u>	<u>17,446,039</u>
Long-term investments (note 4)	47,068,855	38,874,690
Capital assets (note 5)	727,428	947,985
Intangible asset (note 6)	10,712	10,712
	<u>\$ 66,455,440</u>	<u>\$ 57,279,426</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,361,517	\$ 3,877,442
Deferred revenue (note 7)	1,090,898	1,484,391
	<u>3,452,415</u>	<u>5,361,833</u>
Deferred capital contributions (note 8)	46,463	64,158
Net assets:		
Invested in capital assets	680,965	883,827
Unrestricted	60,687,879	49,633,094
Endowment (note 13)	1,587,718	1,336,514
	<u>62,956,562</u>	<u>51,853,435</u>
Lease commitments (note 15)		
	<u>\$ 66,455,440</u>	<u>\$ 57,279,426</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Chair

_____ Treasurer

MAKE-A-WISH FOUNDATION OF CANADA

Statement of Operations

Year ended September 30, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Donations and fundraising	\$ 16,297,504	\$ 21,018,236
Donations-in-kind	459,510	4,756,436
Bequests	4,352,788	2,359,413
Investment income (note 4)	6,608,267	1,890,662
Government subsidies (note 11)	3,245,171	2,802,194
	<u>30,963,240</u>	<u>32,826,941</u>
Expenses (note 14):		
Programs	9,808,733	19,779,912
Fundraising	7,698,828	9,614,594
General and administration (note 10)	2,603,756	5,414,911
	<u>20,111,317</u>	<u>34,809,417</u>
Excess (deficiency) of revenue over expenses	<u>\$ 10,851,923</u>	<u>\$ (1,982,476)</u>

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION OF CANADA

Statement of Changes in Net Assets

Year ended September 30, 2021, with comparative information for 2020

				2021	2020
	Invested in capital assets (note 5)	Unrestricted	Endowment (note 13)	Total	Total
Net assets, beginning of year	\$ 883,827	\$ 49,633,094	\$ 1,336,514	\$ 51,853,435	\$ 53,724,391
Excess (deficiency) of revenue over expenses	(210,956)	11,062,879	–	10,851,923	(1,982,476)
Invested in capital assets	8,094	(8,094)	–	–	–
Additions to endowment fund	–	–	251,204	251,204	111,520
Net assets, end of year	\$ 680,965	\$ 60,687,879	\$ 1,587,718	\$ 62,956,562	\$ 51,853,435

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION OF CANADA

Statement of Cash Flows

Year ended September 30, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 10,851,923	\$ (1,982,476)
Items not involving cash:		
Amortization and disposal of capital assets	228,651	228,087
Amortization of deferred capital contributions	(17,695)	(36,926)
Unrealized gain on investments	(4,590,768)	(522,371)
Change in non-cash operating working capital:		
Accounts receivable	(559,558)	(1,521,829)
Prepaid expenses	328,644	(233,760)
Accounts payable and accrued liabilities	(1,515,925)	2,351,660
Deferred revenue	(393,493)	152,063
	4,331,779	(1,565,552)
Financing:		
Increase in investments held for the endowment fund	251,204	111,520
Investments:		
Additions to capital assets	(8,094)	(138,341)
Decrease in investments, net	(1,353,056)	1,183,680
	(1,361,150)	1,045,339
Increase (decrease) in cash and cash equivalents	3,221,833	(408,693)
Cash and cash equivalents, beginning of year	5,335,367	5,744,060
Cash and cash equivalents, end of year	\$ 8,557,200	\$ 5,335,367

See accompanying notes to financial statements.

MAKE-A-WISH FOUNDATION OF CANADA

Notes to Financial Statements

Year ended September 30, 2021

By a Letters Patent of Amalgamation dated September 30, 2019, Make-A-Wish Foundation of Canada ("MAW Canada") and Children's Wish Foundation of Canada ("CWF Canada") were amalgamated under the laws of British Columbia, and continued under the new registered Amalgamated Society name, Make-A-Wish Foundation of Canada ("MAWC" or "Amalgamated Society"). MAWC was licensed by Make-A-Wish Foundation International and, in turn, sub-licensed seven incorporated chapters (the "Chapters") across Canada.

Further, by the same Letters Patent of Amalgamation, within 12 months of the amalgamation between MAW Canada and CWF Canada, or as soon as commercially and reasonably practicable, the incorporated chapters of MAW Canada were to be integrated into the Amalgamated Society.

As such, on May 1, 2020, the Board of Directors of each Chapter resigned and MAWC appointed three members of the MAWC Board to each Chapter board on an interim basis, creating common control. Then, on September 30, 2020 MAWC and the Chapters were legally amalgamated into the national organization which had been renamed the Make-A-Wish Legacy Foundation.

On October 1, 2020, all the assets and operations of the Make-A-Wish Legacy Foundation were transferred to the new Make-A-Wish Foundation of Canada which operates under the Canada Not-for-profit Corporations Act.

MAWC is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

MAWC's mission is:

MAWC creates life-changing wishes for children with critical illnesses. It is on a quest to bring every eligible child's wish to life because a wish is an integral part of a child's treatment journey. Children who have wishes granted can build the physical and emotional need to fight a critical illness.

MAWC's purposes are:

- (a) To fund, facilitate, promote and carry out activities and programs which have the purpose of granting wishes to children who have been diagnosed with a critical illness in a life-threatening stage or with extreme long-term complications in a way the law regards as charitable;

MAKE-A-WISH FOUNDATION OF CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2021

- (b) To receive bequests, trusts, funds and property, and to hold, invest, administer and distribute funds and property for the purposes of MAWC as presently set out and for such other organizations as are "qualified donees" under the provisions of the Income Tax Act (Canada) and for such other purposes and activities which are authorized for registered charities under the provisions of the Income Tax Act (Canada); and
- (c) To do all such other things as are incidental and ancillary to the attainment of these purposes and to the exercise of the powers of MAWC.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

(a) Revenue recognition:

Donations are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. No accruals are made for monies pledged but not yet received.

Donations-in-kind are recognized when fair value can be reasonably estimated and when the materials and services are used in the normal course of MAWC's operations and would otherwise have been purchased. Donated material and services for the year ended September 30, 2021 amounted to \$459,510 (2020 - \$4,756,436).

Investment income, which is recorded on the accrual basis, includes interest and dividends. All changes in fair value are recognized in the statement of operations.

Government subsidies are recognized when approval for funding is received and applicable conditions are met.

Bequests are recognized as revenue when received or receivable provided the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as direct increases in net assets.

MAKE-A-WISH FOUNDATION OF CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2021

1. Significant accounting policies (continued):

The efforts of volunteer workers are not reflected in the accompanying financial statements as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to MAWC.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and 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. MAWC has not elected to carry any such financial instruments at fair value. Long-term investments are carried at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other 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, MAWC 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 MAWC expects to realize by exercising its rights to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the impairment, not exceeding the initial carrying value.

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to MAWC's ability to provide services, its carrying amount is written down to its residual value.

MAKE-A-WISH FOUNDATION OF CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2021

1. Significant accounting policies (continued):

Capital assets are amortized on a straight-line basis over their useful lives as follows:

Furniture and equipment	5 years
Computers	3 years
Donated computer equipment	7 years
Leasehold improvements	Over terms of various leases
Automobiles	6 years

(d) Intangible asset:

Intangible asset includes a time-share condominium asset that was donated to MAWC which has been recorded at the fair market value as determined by an independent appraiser at the time of receipt of the contribution. The time-share has an indefinite life; therefore, it is not amortized.

(e) Net assets:

The Board of Directors ("Board") of MAWC has directed management to maintain separate fund balances within the net assets of MAWC. The unrestricted operating fund reflects resources available for immediate use. Endowments consist of restricted contributions received whereby the principal gift is required to be maintained intact and the investment income generated is used in accordance with the purposes established by the donors.

(f) Foreign currency translation:

The fair values of foreign currency-denominated investments included in the statement of financial position are translated into Canadian dollars at year-end rates of exchange. Revenue and expenses are translated at the exchange rate prevailing on the transaction date. Gains and losses arising from translation are reflected in the statement of operations in investment income.

MAKE-A-WISH FOUNDATION OF CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2021

1. Significant accounting policies (continued):

(g) Expense allocations:

MAWC classifies expenses on the statement of operations by function. Expenses are allocated to the functional areas of programs, fundraising and general and administration based upon staff time directed to those functional areas.

(h) Use of estimates:

The preparation of 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. Significant items subject to such estimates and assumptions include the carrying amount of capital assets. Actual results could differ from those estimates.

2. Cash and cash equivalents and short-term investments:

Cash and cash equivalents includes \$814,783 (2020 - \$551,863) of restricted funds held in bank accounts for the purpose of expense payments relating to lotteries and raffles.

Short-term investments consist of guaranteed investment certificates bearing interest at a rate of 0.00% to 3.75% per annum, maturing on December 2021 to June 2027.

3. Accounts receivable:

	2021	2020
Harmonized sales tax receivable	\$ 916,588	\$ 633,811
Revenue receivable	1,995,056	1,718,275
	<u>\$ 2,911,644</u>	<u>\$ 2,352,086</u>

Allowance for doubtful accounts amounted to nil (2020 - nil).

MAKE-A-WISH FOUNDATION OF CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2021

4. Long-term investments:

	2021		2020	
	Cost	Fair value	Cost	Fair value
Cash equivalents:				
Money market fund	\$ –	\$ –	\$ 90,669	\$ 90,669
Equities:				
Domestic	11,763,570	15,401,931	10,489,445	11,164,937
Foreign	10,237,835	15,554,056	9,680,485	13,178,188
Fixed income:				
Domestic	14,473,977	14,525,150	12,819,612	13,104,382
Endowment	1,187,501	1,587,718	1,114,024	1,336,514
	<u>\$ 37,662,883</u>	<u>\$ 47,068,855</u>	<u>\$ 34,194,235</u>	<u>\$ 38,874,690</u>

Investment income consists of:

	2021	2020
Interest	\$ 477,343	\$ 471,370
Dividends	1,152,006	910,380
Foreign exchange loss	(20,768)	(62,880)
Realized gain on investments	408,918	49,421
Investment income from transactions	2,017,499	1,368,291
Net change in unrealized gain on investments	4,590,768	522,371
	<u>\$ 6,608,267</u>	<u>\$ 1,890,662</u>

See note 16 for investment risks.

MAKE-A-WISH FOUNDATION OF CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2021

5. Capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and equipment	\$ 119,347	\$ 107,595	\$ 11,752	\$ 21,872
Computers	1,115,740	580,088	535,652	700,535
Donated assets	62,623	16,160	46,463	64,158
Leasehold improvements	280,007	162,397	117,610	136,501
Automobiles	53,807	37,856	15,951	24,919
	\$ 1,631,524	\$ 904,096	\$ 727,428	\$ 947,985

(a) Invested in capital assets is calculated as follows:

	2021	2020
Capital assets	\$ 727,428	\$ 947,985
Amounts financed by:		
Deferred capital contributions	46,463	64,158
	\$ 680,965	\$ 883,827

(b) Change in net assets invested in capital assets is calculated as follows:

	2021	2020
Deficiency of revenue over expenses:		
Amortization of deferred capital contributions	\$ 17,695	\$ 36,926
Amortization of capital assets	(221,345)	(228,087)
Disposal of capital assets	(7,306)	–
	\$ (210,956)	\$ (191,161)
Net change in invested in capital assets:		
Additions to capital assets	\$ 8,094	\$ 138,341

MAKE-A-WISH FOUNDATION OF CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2021

6. Intangible asset:

	2021	2020
Time-share condominium - Hawaii USA	\$ 10,712	\$ 10,712

7. Deferred revenue:

	2021		2020	
	Deferred donations revenue	Free rent and lease inducements	Total	Total
Balance, beginning of year	\$ 1,346,132	\$ 138,259	\$ 1,484,391	\$ 1,332,328
Amounts received	6,308	–	6,308	737,261
Amortized to revenue	(381,153)	(18,648)	(399,801)	(585,198)
Balance, end of year	\$ 971,287	\$ 119,611	\$ 1,090,898	\$ 1,484,391

8. Deferred capital contributions:

Deferred capital contributions represent donations-in-kind for donated assets. The changes in the deferred capital contributions balance for the year are as follows:

	2020	Additions	Amortization	2021
Deferred capital contributions	\$ 64,158	\$ –	\$ 17,695	\$ 46,463

MAKE-A-WISH FOUNDATION OF CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2021

9. Related party transactions:

MAWC is affiliated, via the federated model, with Make-A-Wish Foundation International and Make-A-Wish Foundation America. MAWC paid fees of \$346,349 (2020 - \$326,985) to those organizations in support of mission delivery to children around the world.

These transactions with related parties are subject to normal trade terms and are recorded at the exchange amount agreed to by the related parties.

10. General and administration expenses:

	2021	2020
Salaries and benefits	\$ 1,390,061	\$ 2,056,950
Professional fees	493,967	1,863,644
Office	249,978	661,733
Other	170,096	62,149
Rent and utilities	110,225	469,020
Amortization	86,030	75,747
Insurance	50,605	55,364
Promotion and advertising	28,602	81,711
Telephone	17,726	17,410
Board and committee meetings	6,466	71,183
	<u>\$ 2,603,756</u>	<u>\$ 5,414,911</u>

Included in professional fees are pre-closing amalgamation expenses:

	2021	2020
Professional fees	\$ —	\$ 1,079,685
Legal fees	—	136,955
	<u>\$ —</u>	<u>\$ 1,216,640</u>

MAKE-A-WISH FOUNDATION OF CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2021

11. Government assistance:

Government assistance received by MAWC during the year amounted to \$71,148 (2020 - \$37,938), which have been recognized as donations and fundraising revenue on the statement of operations as at September 30, 2021. These funds were for the temporary employment of individuals for specific programs.

Due to the COVID-19 pandemic, the Canadian government introduced the Canada Emergency Wage Subsidy to assist organizations who had lost a certain percentage of their eligible revenue. During the year ended September 30, 2021, MAWC filed eligible claims totaling \$3,174,023 (2020 - \$2,764,256) which have been recognized as government subsidies on the statement of operations. As at September 30, 2021, \$1,648,176 (2020 - \$863,369) is included in accounts receivable with respect to claims filed but not yet received.

12. Fundraising:

As required by Alberta legislation, with regard to reporting of fundraising, gross fundraising revenue received in Alberta was \$1,169,119 (2020 - \$5,161,510). Remuneration to employees whose principal duties involve fundraising approximated \$394,791 (2020 - \$407,702).

13. Endowment Fund:

The Endowment Fund represents externally restricted amounts which have been specifically restricted by the donor. The investments held for the Endowment Fund are comprised of money market funds, fixed income as well as domestic and foreign equities.

	2021	2020	Net change
Contributions	\$ 901,146	\$ 887,354	\$ 13,792
Accumulated investment income	293,055	223,313	69,742
Unrealized gain	393,517	225,847	167,670
	<u>\$ 1,587,718</u>	<u>\$ 1,336,514</u>	<u>\$ 251,204</u>

MAKE-A-WISH FOUNDATION OF CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2021

14. Allocation of expenses:

Expenses have been allocated as follows:

2021	Expenses before allocations	Salaries and benefits	Other expenses	Total
Programs	\$ 6,985,144	\$ 1,894,106	\$ 929,483	\$ 9,808,733
Fundraising	7,474,904	(665,496)	889,420	7,698,828
General and administration	5,651,269	(1,228,610)	(1,818,903)	2,603,756
	<u>\$ 20,111,317</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 20,111,317</u>

2020	Expenses before allocations	Salaries and benefits	Other expenses	Total
Programs	\$ 10,388,333	\$ 5,647,409	\$ 3,744,170	\$ 19,779,912
Fundraising	1,099,626	4,659,777	3,855,191	9,614,594
General and administration	9,230,813	(3,366,788)	(449,114)	5,414,911
	<u>\$ 20,718,772</u>	<u>\$ 6,940,398</u>	<u>\$ 7,150,247</u>	<u>\$ 34,809,417</u>

15. Lease commitments:

MAWC is committed to payments, excluding maintenance and operating costs, under operating leases for buildings through 2028. Annual payments are as follows:

2022	\$ 340,077
2023	276,846
2024	248,767
2025	250,833
2026 and thereafter	587,446
	<u>\$ 1,703,969</u>

MAKE-A-WISH FOUNDATION OF CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2021

16. Risk management:

Risk management relates to the understanding and active management of risks associated with all areas of MAWC's activities and the associated operating environment. Investments are primarily exposed to market and credit, interest rate, foreign currency and liquidity risks. MAWC has formal policies and procedures that establish target asset mix. MAWC's policies also require diversification of investments within categories and set limits on exposure to individual investments. MAWC revised and adopted a new Statement of Investment Policy and Goals on December 17, 2020. There have been no significant changes to risk exposures from 2020.

(a) General economic risk:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in the Canadian and provincial governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have resulted in a decline in revenue and expenses due to the modification of programs, cancellation of events and lockdown measures.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on operations is not known at this time. These emergency measures and economic impacts could include potential future decreases in revenue and expenses. The COVID environment has impacted the number of wishes that Make-A-Wish Canada grants annually. The most popular wish has always been a travel wish and with restrictions on travel, travel wishes have been delayed resulting in the deferral of a significant number of wishes.

(b) Market risk:

The value of equity securities changes with stock market conditions, which are affected by general economic and market conditions. The value of fixed income securities will vary with developments within the specific companies or governments which issue the securities. MAWC manages this risk through controls to monitor and limit concentration levels.

MAKE-A-WISH FOUNDATION OF CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2021

16. Risk management (continued):

(c) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by MAWC. Changes in interest rates may also affect the value of equity securities. MAWC's policies for managing this risk are disclosed above.

(d) Foreign currency risk:

The value of securities denominated in a currency other than the Canadian dollar will be affected by changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated. MAWC's investment manager mitigates this risk by limiting concentration levels.

(e) Liquidity risk:

Liquidity risk is the risk that MAWC will be unable to fulfill its obligations on a timely basis or at a reasonable cost. MAWC manages its liquidity risk by monitoring its operating requirements. MAWC prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(f) Credit risk:

MAWC grants credit in the normal course of business and is exposed to credit risk on its accounts receivable. Credit evaluations are performed regularly and the financial statements take into account an allowance for bad debts.