The Atlantic Philanthropies

Combined Financial Statements
December 31, 2018 and 2017
(expressed in thousands of U.S. dollars)

October 15, 2019

Report of Independent Auditors

To the Members of The Atlantic Philanthropies

We have audited the accompanying combined financial statements of The Atlantic Philanthropies (the "Group"), which comprise the combined statements of financial position as of December 31, 2018 and 2017, and the related combined statements of activities and changes in net assets and of cash flows for the years then ended.

Management's responsibility for the combined financial statements
Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on the combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Group's preparation and fair presentation of the combined financial statements 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 Group's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Atlantic Philanthropies as of December 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

The Atlantic Philanthropies

Combined Statements of Financial Position

As of December 31, 2018 and 2017

(expressed in thousands of U.S. dollars)

	2018 $	2017 $
Assets		
Investments, at fair value		
Marketable securities (notes 3 and 4)	384,896	612,836
	384,896	612,836
Cash and cash equivalents (notes 4 and 5)	191,214	113,865
Other current assets (note 7)	4,291	7,327
Property and equipment (note 8)	5,205	6,631
Other assets (note 9)	9,743	10,487
Total assets	595,349	751,146
Liabilities		
Donations payable (note 10)	396,372	474,987
Other current liabilities (note 11)	4,616	5,284
Other liabilities (note 13)	18,688	20,952
Total liabilities	419,676	501,223
Non-controlling interest	3,732	3,746
Net assets (unrestricted)	171,941	246,177
Total liabilities and net assets	595,349	751,146

The accompanying notes are an integral part of these combined financial statements.

The Atlantic Philanthropies

Combined Statements of Activities and Changes in Net Assets

For the years ended December 31, 2018 and 2017

(expressed in thousands of U.S. dollars)

	2018 $	2017 $
Investment transactions		
Net investment income	7,552	11,834
Net realized gains (note 15)	-	356
Net change in unrealized gains and losses (note 15)	(8,276)	7,906
Net foreign exchange translation (losses) gains	(110)	181
(Loss)/gain from investment transactions	(834)	20,277
Operating businesses		
Other income	472	374
Selling and administrative expenses	(2,375)	(1,785)
Net realized gain from sale of operating assets	-	1,803
Net realized loss from investment in associated company (note 15)	(342)	(1,165)
Loss from operating businesses	(2,245)	(773)
Donations and charitable expenses		
Donations expense (note 10)	(54,220)	(52,335)
Administrative expenses	(18,241)	(18,926)
Total donations and charitable expenses	(72,461)	(71,261)
Decrease in net assets from continuing operations before taxes	(75,540)	(51,757)
Tax benefit (note 17)	1,120	547
Decrease in net assets from continuing operations	(74,420)	(51,210)
Foreign currency gain (loss), net	265	302
Decrease in net assets before non-controlling interest	(74,155)	(50,908)
Non-controlling interest	(81)	(103)
Decrease in net assets	(74,236)	(51,011)
Net assets (unrestricted) - Beginning of year	246,177	297,188
Net assets (unrestricted) - End of year	171,941	246,177

The Atlantic Philanthropies

Combined Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(expressed in thousands of U.S. dollars)

	2018 $	2017 $
Cash flows from operating activities		
Decrease in net assets	(74,236)	(51,011)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities		
Net change in unrealized gains or losses	8,076	(6,260)
Gain on asset disposition	-	(1,803)
Realized loss on associated company	-	1,165
Depreciation expense	1,819	1,849
Bond premium amortization	4,214	3,817
Bond premium accretion	(2,086)	(1,192)
Other (loss)/income	(3)	2
	(62,216)	(53,433)
Change in operating assets and liabilities		
Decrease in other current assets	3,040	262,398
(Increase) decrease in other assets	(14)	30,471
Decrease in donations payable	(78,615)	(74,485)
(Decrease) increase in current liabilities	(669)	818
Decrease in other liabilities	(1,505)	(5,430)
	(77,763)	213,772
Net cash (used in) provided by in operating activities	(139,979)	160,339
Cash flows from investing activities		
Proceeds from marketable securities	313,064	218,033
Purchase of marketable securities	(95,328)	(708,610)
Purchase of property and equipment, net	(393)	(20)
Proceeds from property, plant and equipment	-	3,715
Decrease (increase) in other liabilities	744	(5,218)
(Increase) decrease in other assets	(744)	5,218
Dividends (donations) paid to minority interest	(15)	1,087
Net cash provided by (used in) investing activities	217,328	(485,795)
Increase (decrease) in cash and cash equivalents	77,349	(325,456)
Cash and cash equivalents - Beginning of year	113,865	439,321
Cash and cash equivalents - End of year	191,214	113,865
Supplemental disclosure of cash flow information		
Cash paid during the year for:		
Income and other taxes, net	-	-

The accompanying notes are an integral part of these combined financial statements.

(expressed in thousands of U.S. dollars)

1. Combined entities

These combined financial statements include The Atlantic Foundation (“The Foundation”), The Atlantic Finance Company Limited (“AFC”), The Atlantic Advocacy Fund (“AAF”), The Atlantic Charitable Trust (“ACT”), The Mangrove Foundation (“Mangrove”), and Bridge Charitable Trust (“Bridge”). These combined financial statements have been prepared to provide an overview of the activities of the six entities, collectively referred to as “The Atlantic Philanthropies” or “Atlantic.”

As of June 26th, 2017, The Foundation entered into an assignment and undertaking with Mangrove, under which it accepted the assets of Mangrove in exchange for agreeing to meet its grant commitments and use any excess funds received for charitable and benevolent and/or philanthropic purposes. Mangrove was liquidated as of December 31, 2017.

The combined entities have interrelated managements and a common charitable mission: investing in promising programs, people, and places to create opportunity and promote greater fairness and equity.

Atlantic, which plans to close in 2020, completed substantially all of its grantmaking at the end of 2016. In line with this decision, it was decided to shift its investment holdings to cash, short-term investments and government securities and the Board of Directors of General Atlantic Group Limited, the holding company for Atlantic’s businesses (“GAGL”), requested its management to develop a strategic plan and prepare to exit from all operating businesses, subject to the achievement of the best available and reasonably achievable commercial terms (note 16). The exit from these businesses and from Atlantic’s private equity and hedge fund investments was completed by the end of 2016.

2. Significant accounting policies

(a) **Basis of accounting presentation**
These combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

These combined financial statements include the consolidated financial statements of The Foundation, Bridge and AFC and the financial statements of AAF, ACT and Mangrove. GAGL’s financial statements are prepared for January 31, 2019 and 2018. The results of this entity have been adjusted for inclusion in the financial statements to reflect significant items of income and expenditure during the months of January 2019 and 2018.

(b) **Net assets**
There were no temporarily or permanently restricted net assets for charitable purposes as of December 31, 2018 and 2017.

(c) **Fair values of financial instruments**
Fair values of financial assets and liabilities are disclosed in the notes to the financial statements in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value in accordance with the authoritative guidance on fair value measurements and disclosures under GAAP. Accounts receivable, accounts payable and accrued liabilities approximate their fair values as these instruments are subject to normal credit terms. The maximum credit risk associated with accounts receivable is limited to the carrying amount.

(expressed in thousands of U.S. dollars)

Management has adopted a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are as follows:

Level 1	Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that Atlantic has the ability to access at the measurement date;
Level 2	Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;
Level 3	Inputs that are unobservable. The inputs used in the determination of fair value require significant judgement and estimation

Management uses the “market approach” valuation technique to value its investment in AFC. The determination of what constitutes “observable” requires significant judgment by management.

(d) **Valuation of investments**
Investments are valued at fair value in accordance with authoritative guidance, Accounting Standards Codification (ASC) Topic 820, “Fair Value Measurement and Disclosures”. Quoted securities are stated at market value, which is based on quoted prices on a recognized stock exchange on the last day of trading of the fiscal year.

Investment transactions are recorded on the trade date and investment income is recognized on the accrual basis when receivable. Discounts and premiums on debt securities are accreted and amortized over the term of the securities. Gains and losses associated with the revaluation of marketable securities are recorded in the combined statements of activities and changes in net assets as unrealized gains and losses. Realized gains and losses are calculated on a first-in-first-out basis.

(e) **Cash and cash equivalents**
Cash and cash equivalents include marketable securities, repurchase agreements receivable and highly liquid debt instruments which have maturities of ninety days or less at date of purchase. Such instruments are valued at cost which, when combined with accrued interest, approximates market and fair value.

(f) **Repurchase agreements receivable**
A repurchase agreement involves acquiring securities for cash and obtaining a simultaneous commitment from the seller to repurchase the securities at an agreed upon price and date. Atlantic takes possession of the securities collateralizing the repurchase agreement. The collateral is marked to market daily to ensure that the market value of the underlying assets remains sufficient to protect Atlantic in the event of default by the seller. Atlantic records the repurchase agreements receivable in cash and cash equivalents in the combined statements of financial position.

(g) **Property and equipment**
Property and equipment is stated at the lower of the estimated fair value or historical cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives or lease terms of the assets which range from 3 to 40 years.

The costs of maintenance, repairs and minor renewals are charged to expense; the costs of major improvements are capitalized. When assets are retired or otherwise disposed of, the cost of the assets and the related accumulated depreciation are removed from the accounts and any gain or loss on retirement is reflected in income for the current period.

(expressed in thousands of U.S. dollars)

Management considers all of the property and equipment to be held for long-term use. Long-lived assets and identifiable intangibles consist of property and equipment, lease premiums and related goodwill. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In performing the review for recoverability, if the sum of the expected future undiscounted cash flows generated by the asset is less than the carrying amount of the asset, an impairment loss is recognized. The impairment loss, if any, is calculated by comparing the asset carrying value to the respective fair value. Fair value is estimated using third party appraisal, market comparison, discounted cash flow or direct capitalisation analysis. The evaluation of fair value and future cash flows from individual properties requires significant judgement; it is reasonably possible that a change in estimate could occur.

(h) **Donations**

Unconditional donations are expensed in the period in which the commitment is made. Conditional donations are expensed in the period in which the conditions under which they are granted are substantially met. Conditional donations whose conditions have not been met are disclosed in note 10.

Unconditional donations payable over a period greater than one year are discounted using the current risk-free rate of return for investments of a similar duration. The discount rate used for unconditional donations made during the year ended December 31, 2018 was 2.50% (2017 - 1.60%). The discount is amortized and included as part of donations expense over the term of the obligation. Management has included supplemental disclosure in note 10 to demonstrate the effect of including conditional donations payable as a liability on Atlantic's equity. For the purpose of supplemental disclosure, conditional donations have not been discounted as the payment terms can change frequently in relation to the conditions being met.

(i) **Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at year end exchange rates. Non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expenses are translated at average rates for the year. Gains and losses arising on the translation of foreign currency denominated investments are recorded as a component of realized and unrealized gains and losses. Gains and losses arising on the translation of donations denominated in foreign currencies are included as a component of donations expense (note 10). Gains and losses arising from translation of other assets and liabilities denominated in foreign currencies are recorded in the combined statements of activities and changes in net assets. Other exchange gains and losses that arise from exchange rate changes on transactions denominated in a currency other than the local currency are reflected in income as incurred.

(j) **Income taxes**

The Atlantic Philanthropies accounts for income taxes using the asset and liability method. This method requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of the assets and liabilities.

The Atlantic Philanthropies records deferred tax assets to the extent management believes these assets will more-likely-than-not be realized. In making such determinations, management considers all available positive and negative evidence, including future reversals of existing temporary differences, projected future taxable income, tax planning strategies, and recent financial operations. In the event management were to determine that it would be able to realize deferred income tax assets in the future in excess of their net recorded amount, an adjustment to the valuation allowance would be made which would reduce the provision for income taxes (note 17).

The authoritative guidance on accounting for and disclosure of uncertainty in tax positions ASC 740 – Income Taxes clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. If management considers that a tax position is "more-likely-than-not" of being

(expressed in thousands of U.S. dollars)

sustained upon audit, based solely on the technical merits of the position, it recognizes the tax benefit. The Atlantic Philanthropies measures the tax benefit by determining the largest amount that is greater than 50% likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. These assessments can be complex and require significant judgment. To the extent that estimates change or the final tax outcome of these matters is different than the amounts recorded, such differences will impact the income tax provision in the period in which such determinations are made. If the initial assessment fails to result in the recognition of a tax benefit, management regularly monitors its position and subsequently recognizes the tax benefit if (i) there are changes in tax law or analogous case law that sufficiently raise the likelihood of prevailing on the technical merits of the position to more-likely-than-not, (ii) the statute of limitations expires, or (iii) there is a completion of an audit resulting in a settlement of that tax year with the appropriate agency. Uncertain tax positions are classified as current only when management expects to pay cash within the next twelve months. Interest and penalties, if any, are recorded within the provision for income taxes in The Atlantic Philanthropies' combined statements of activities and changes in net assets and are classified on the combined statements of financial position with the related liability for unrecognized tax benefits.

The Atlantic Philanthropies files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, The Atlantic Philanthropies is subject to examination by federal, state, local and foreign jurisdictions, where applicable. As of December 31, 2018, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the year 2015 forward (with limited exceptions).

Jurisdiction	Earliest Tax Year Subject to Examination
U.S. Federal	2015
California	2015
New York State and City	2015

As of December 31, 2018, there were no positions for which management believes it is reasonably possible that the total amounts of tax contingencies will significantly increase or decrease within the next twelve months of the reporting date.

(k) **Functional allocation of expenses**

The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and management and general services benefited (note 14).

(l) **Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from these estimates.

(expressed in thousands of U.S. dollars)

3. *Marketable securities and marketable securities sold short*

2018

Marketable securities	Amortised cost/cost $	Unrealized gain $	Unrealized loss $	Fair value $
Fixed income				
Marketable debt securities	294,837	9	(2,628)	292,218
Foreign government bonds	93,166	-	(488)	92,678
Total	**388,003**	**9**	**(3,116)**	**384,896**

2017

Marketable securities	Amortised cost/cost $	Unrealized gain $	Unrealized loss $	Fair value $
Fixed income				
Marketable debt securities	489,763	26	(2,159)	487,630
Foreign government bonds	125,417	-	(211)	125,206
Total	**615,180**	**26**	**(2,370)**	**612,836**

The contractual maturities of fixed income, excluding short-term investments, at fair value are as follows:

	Due within one year	Due after one year through three years	Total $
As of December 2018			
Marketable debt securities	206,775	85,443	292,218
Foreign government bonds	-	92,678	92,678
Total	**206,775**	**178,121**	**384,896**

	Due within one year	Due after one year through three years	Total $
As of December 2017			
Marketable debt securities	245,712	241,918	487,630
Foreign government bonds	22,319	102,887	125,206
Total	**268,031**	**344,805**	**612,836**

(expressed in thousands of U.S. dollars)

4. *Fair value measurement*

The following table details financial assets and liabilities that were accounted for at fair value as of December 31, 2018 and 2017 by level and fair value hierarchy. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Assets at fair value as of December 31, 2018

	Level 1 $	Level 2 $	Level 3 $	Total $
Cash and cash equivalents	51,004	140,210	-	191,214
Fixed income securities	-	384,896	-	384,896
Annuity	-	-	8,510	8,510
	51,004	525,106	8,510	584,620

Liabilities at fair value as of December 31, 2018

	Level 1 $	Level 2 $	Level 3 $	Total $
Deferred compensation	-	-	21,697	21,697

Assets at fair value as of December 31, 2017

	Level 1 $	Level 2 $	Level 3 $	Total $
Cash and cash equivalents	90,365	23,500	-	113,865
Fixed income securities	-	612,836	-	612,836
Annuity	-	-	9,254	9,254
	90,365	636,336	9,254	735,955

Liabilities at fair value as of December 31, 2017

	Level 1 $	Level 2 $	Level 3 $	Total $
Deferred compensation	-	-	23,355	23,355

(expressed in thousands of U.S. dollars)

	Annuity $	Deferred compensation $	Total $
Balance, December 31, 2016	3,149	(20,961)	(17,812)
Income (expense)	6,105	(2,394)	3,711
Balance, December 31, 2017	9,254	(23,355)	(14,101)
Income (expense)	(744)	1,658	914
Balance, December 31, 2018	8,510	(21,697)	(13,187)

Management uses the "income approach" valuation technique to value the annuity and deferred compensation in the table above. Income and expenses in the table above are reflected in selling and administrative expenses for operating business, and administrative expenses for charitable expenses. All net realized and unrealized gains (losses) in the table above are reflected in the accompanying combined statements of activities and change in net assets.

5. *Cash and cash equivalents*

Cash and cash equivalents comprise the following:

	2018 $	2017 $
Repurchase agreements receivable	140,210	23,500
Cash at bank	50,418	89,784
Restricted cash	586	581
	191,214	113,865

6. *Financial instrument risks*

Atlantic's investment activities, either directly or indirectly, expose it to various types and degrees of risk including market, credit, leverage, liquidity and regulatory risk.

Market risk

Market risk is the risk that future changes in market prices may render financial instruments less valuable or increase the liability associated with such instruments. Exposure to market risk is determined by a number of factors, including the size, duration, composition and diversification of positions held, the absolute and relative levels of interest rates and foreign exchange rates, as well as market volatility and liquidity. Management seeks to diversify the investment portfolio so as to manage exposure to market risk.

Exposure to market risk associated with marketable securities, investment funds and private equity investments is equal to the carrying value of the instruments as recorded in the combined statements of financial position.

A component of market risk is currency risk, which arises from the possibility that fluctuations in foreign currency exchange rates will affect the value of financial instruments and/or obligations of Atlantic denominated

(expressed in thousands of U.S. dollars)

in currencies other than U.S. dollars. The foreign currency exposure related to financial instruments in management's opinion is either a) a desirable component of the portfolio or b) not sufficient to require hedging.

Credit risk
Credit risk represents the maximum accounting loss that would be recognized if counterparties failed completely to perform as contracted, reduced by the value of any collateral and any other available assets. Management, by policy, ensures that agreements are entered into with counterparties that have high quality credit ratings and, in addition, monitors its credit exposure to any one financial institution. At December 31, 2018 and 2017 the majority of the cash and cash equivalents and marketable securities were held with Bank of New York Mellon.

Exposure to credit risk associated with cash and cash equivalents, marketable securities, derivative contracts collateral and other receivables is represented by the carrying value of these financial instruments recorded in the combined statements of financial position.

A concentration of credit risk exists when there are significant contracts with individual counterparties or when groups of issuers or counterparties have similar business characteristics that would cause their ability to meet contractual commitments to be adversely affected, in a similar manner, by changes in the economy or other market conditions. Atlantic conducts business with financial institutions believed to be well established and monitors credit risk on both an individual and group counterparty basis.

Liquidity risk
Liquidity risk represents the potential loss due to the difficulty in liquidating thinly traded holdings quickly. Because of the nature of certain investments held by Atlantic, there can be no assurance that an active trading market for the underlying will exist, or that the prices at which underlying investments trade accurately reflect their values, and that these values can be realized.

Regulatory risk
Legal, tax and regulatory changes could occur during the term of Atlantic that may adversely affect Atlantic. In addition, securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. Regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies.

7. *Other current assets*

	2018 $	2017 $
Deferred tax asset (note 17)	-	1,178
Income tax receivable	1,281	1,376
Interest receivable	1,607	3,130
Other	236	476
Annuity current portion	1,167	1,167
	4,291	7,327

(expressed in thousands of U.S. dollars)

8. Property and equipment

	Estimated useful lives (years)	2018 $	2017 $
Land		950	950
Buildings and improvements	20-40	7,802	7,459
Leasehold improvements	10-20	481	8,594
Furniture, fixtures and equipment	3-10	413	2,098
		9,646	19,101
Less: Accumulated depreciation		(4,441)	(12,470)
		5,205	6,631

Depreciation expense for the year ended December 31, 2018 was $1,819 (2017 - $1,849).

9. Other assets

	2018 $	2017 $
Annuity, non-current portion	7,343	8,087
Other	2,400	2,400
	9,743	10,487

10. Charitable giving

Unconditional donations reported as donations payable on the combined statements of financial position amounted to $396,372 at December 31, 2018 (2017 - $474,987). Unfulfilled conditional donations at December 31, 2018 amounted to $5,000 (2017 - $6,921). If the conditions under which these donations were granted are complied with, these donations will become payable and have the following effect on Atlantic's net assets:

	2018 $	2017 $
Net assets adjusted for conditional donations		
Net assets (unrestricted)	171,941	246,177
Conditional donations	(5,000)	(6,921)
	166,941	239,256

(expressed in thousands of U.S. dollars)

The total amounts payable for both unconditional and conditional donations are as follows:

	2018			2017		
	Donations payable $	Conditional donations $	Total $	Donations payable $	Conditional donations $	Total $
Due within one year	149,628	5,000	154,628	128,607	5,445	134,052
Due within one to two years	252,912	-	252,912	165,283	206	165,489
Due within two to three years	-	-	-	189,626	1,270	190,896
	402,540	5,000	407,540	483,516	6,921	490,437
Less: Unamortized discount	(6,168)	-	(6,168)	(8,529)	-	(8,529)
	396,372	5,000	401,372	474,987	6,921	481,908

Donations expense in the combined statements of activities and changes in net assets for the year ended December 31, 2018 of $54,220 (2017 - $52,335) includes donations made by GAGL of $1,823 (2017 - $10,320. Exchange gain for the year ended December 31, 2018 in the net aggregate amount of $7,268 (2017 - loss of $16,411) arising on the translation of donations denominated in foreign currencies are included in donations expense along with the decrease in unamortized discount of $2,361 (2017 – increase in unamortized discount of $1,090) on unconditional donations payable.

	2018 Total $	2017 Total $
Total donations and conditional donations payable at January 1	490,437	590,079
Donations committed during the year	60,082	15,530
Donations paid during the year	(132,867)	(127,511)
Foreign exchange translation	(7,268)	16,411
Amendments	(2,844)	(4,072)
	407,540	490,437
Less: Unamortized discount	(6,168)	(8,529)
Total donations and conditional donations payable December 31	401,372	481,908

11. *Other current liabilities*

	2018 $	2017 $
Deferred compensation	3,009	2,403
Accounts payable and accrued liabilities	1,607	1,811
Income tax payable	-	1,070
	4,616	5,284

(expressed in thousands of U.S. dollars)

12. Debt obligations

Atlantic has established a letter of credit (“LOC”) in the amount of $550 for the purpose of collateralizing the leases for the Atlantic’s office in New York City. The facility rolls over annually unless cancelled through the term of the underlying lease. No drawings were made during the year end of 2018 and 2017.

13. Other liabilities

	2018 **$**	**2017** **$**
Deferred compensation	18,688	20,952
	18,688	20,952

14. Statement of Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function and require allocation on a reasonable basis that is consistently applied. Atlantic’s management and general activities primarily represent compensation, professional fees, rent, depreciation and other general and administrative expenses and are reflected in the table below.

	Program Services – Social and Common Welfare	**Management and General**	**Total Expenses**
Selling and admin expenses – operating business	-	2,375	2,375
Donations expense	54,220	-	54,220
G&A Expenses			
Compensation	4,973	4,513	9,486
Professional fees	1,527	1,415	2,942
Rent and maintenance	1,794	446	2,240
Travel and entertainment	279	348	627
Depreciation	1,244	340	1,584
Other G&A	385	977	1,362
Total G&A Expenses	10,202	8,039	18,241
Total Expenses	**64,422**	**10,414**	**74,836**

(expressed in thousands of U.S. dollars)

15. *Net realized gains (losses) and change in unrealized gains (losses)*

Investment gains and losses are categorized by the corresponding asset classes.

	2018		2017	
	Realized gains (losses) $	Net change in unrealized (losses) gains $	Realized gains (losses) $	Net change in unrealized gains (losses) $
Fixed income securities	-	(8,276)	356	7,906
Investment in associated companies	(342)	-	(1,165)	-
	(342)	(8,276)	(809)	7,906

16. *Liquidity Management*

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2018 $
Cash and cash equivalents	191,214
Marketable securities	206,775
Other current assets	4,291
	402,280

17. *Income taxes*

The eight entities comprising The Atlantic Philanthropies are not subject to tax in Bermuda. However, certain subsidiaries operate in countries that impose income tax, which is provided for at the relevant countries' rates and tax is withheld at appropriate rates on dividend income from sources outside Bermuda.

Income tax benefit	2018 $	2017 $
U.S. Federal benefit	50	1,161
Other benefit (provision)	1,070	(614)
Current tax benefit	1,120	547
Deferred tax benefit (provision)	-	-
Income tax benefit	1,120	547

The Atlantic Philanthropies has deferred tax assets and deferred tax liabilities consisting primarily of net operating loss carry forwards, charitable contribution carry forwards and the differences between the tax basis and the book basis of investments.

(expressed in thousands of U.S. dollars)

	2018 $	2017 $
Gross deferred tax assets	34,227	39,794
Valuation allowance	(34,227)	(38,616)
Deferred tax assets (liabilities) after valuation allowance	-	1,178
Net deferred tax assets	-	1,178

The valuation allowance is provided for certain deferred tax assets based upon management's estimate that tax paying entities will not generate sufficient taxable income in future years to realize the related benefit. Although the future realization of the benefits of the remaining net deferred tax assets is not assured, management believes that it is more likely than not that the net benefits will be realized. Management will continue to review the recoverability of the combined entities' deferred tax assets in future years and will make adjustments to the valuation allowance as needed. The valuation allowance decreased by $4,389 in 2018 (2017 - decreased by $22) primarily due to a corresponding change in the gross deferred tax assets.

The net deferred tax assets are reported separately on the combined statements of financial position as follows:

	2018 $	2017 $
Other current assets (note 7)	-	1,178
Net deferred tax assets	-	1,178

At December 31, 2018 Atlantic had available, for income tax purposes in various jurisdictions, net operating loss carry forwards of $96,335 expiring 2021 through 2038 and charitable contribution carrying forwards of $55,970 expiring 2019 through 2023.

18. *Commitments and contingencies*

Rental and lease commitments

Certain subsidiaries occupy premises under non-cancellable operating leases expiring through 2018. The lease in New York City had an original expiration date of April 30, 2021. The subsidiary exercised its cancellation option in accordance with the lease to terminate it effective December 31, 2018. The lease provides that the lessee pay taxes, insurance and other expenses related to the leased premises.

Rental expense net of license fees is summarized as follows:

	2018 $	2017 $
Minimum rentals	1,809	922
Net rental expense under operating leases	1,809	922

(expressed in thousands of U.S. dollars)

Minimum rental commitments under operating leases, exclusive of the foregoing contingent rentals, are as follows:

	Operating leases $
Due within one year	375
Due within one to two years	306
Due within two to three years	57
Due within three to four years	1
Net future minimum lease commitments	739

19. Employee benefits and other compensation

Some subsidiaries of entities included within The Atlantic Philanthropies maintain defined contribution plans for their employees. These plans comply with the required regulations pertaining to the employees' location of employment. Contributions to the plans range from 10% to 20% of the employee's salary. In some jurisdictions, the subsidiaries cover the employees' portion of medical and or life insurance premium contributions.

Some subsidiaries provide certain key employees who meet specific requirements with deferred compensation. The total deferred compensation for December 31, 2018 was $21,697 (2017 - $23,355) of which GAGL represented $8,510 (2017 - $9,254).

20. Related parties

Commencing in 2015, Atlantic has agreed to provide medical and personal care expenses to one of its members during his lifetime. Given the nature of the support, there is currently no limit on the amount of expenditure that may be incurred, and management is unable to estimate the expected future costs. During the year ended December 31, 2018, total expenses incurred under this support were $610 (2017 - $546).

21. Comparative balances

Certain prior period balances have been reclassified to conform to the current year's presentation.

22. Subsequent events

Management has performed an evaluation of subsequent events through October 15, 2019, which is the date the combined financial statements were available to be issued and have concluded that no additional disclosure is required.