

Financial Statements of

# **CANADA WEST FOUNDATION**

Year ended December 31, 2016



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## INDEPENDENT AUDITORS' REPORT

To the Members of Canada West Foundation

We have audited the accompanying financial statements of Canada West Foundation, which comprise the statement of financial position as at December 31, 2016, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 entity's internal control.



An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements present fairly, in all material respects, the financial position of Canada West Foundation as at December 31, 2016, 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.

*KPMG LLP*

Chartered Professional Accountants

June 28, 2017  
Calgary, Canada

# CANADA WEST FOUNDATION

## Statement of Financial Position

December 31, 2016, with comparative information for 2015



	2016	2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 19,866	\$ 82,204
Accounts receivable (note 2)	202,703	166,064
Inventory	-	6,536
	<u>222,569</u>	<u>254,804</u>
Investments (note 3)	8,925,771	8,658,994
Furniture and equipment (note 4)	63,787	48,474
	<u>\$ 9,212,127</u>	<u>\$ 8,962,272</u>

## Liabilities and Net Assets

Current liabilities:		
Operating loan (Note 5)	\$ 120,000	\$ -
Accounts payable and accrued liabilities (note 7)	59,658	93,321
Deferred contributions (note 6)	135,786	213,862
	<u>315,444</u>	<u>307,183</u>
Net assets (note 8):		
Restricted for endowment purposes	7,949,835	7,802,178
Unrestricted	946,848	852,911
	<u>8,896,683</u>	<u>8,655,089</u>
Commitments (note 11)		
	<u>\$ 9,212,127</u>	<u>\$ 8,962,272</u>

See accompanying notes to financial statements.

Approved by the Board:

  
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\_\_\_\_\_

Director

Director

# CANADA WEST FOUNDATION

## Statement of Operations

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Revenues:		
Special projects and donations (note 13)	\$ 1,835,925	\$ 1,761,971
Investment and other income	185,268	246,512
Realized gain on sale of investments	139,677	312,757
	<u>2,160,870</u>	<u>2,321,240</u>
Expenses:		
Research programs and special projects (note 12)	1,610,907	1,683,156
General and administrative (note 12)	607,995	578,082
Investment management fee	38,642	39,599
Depreciation	14,542	17,465
	<u>2,272,086</u>	<u>2,318,302</u>
Change in unrealized gain (loss) on investments	352,810	(206,297)
Excess (deficiency) of revenues over expenses	<u>\$ 241,594</u>	<u>\$ (203,359)</u>

See accompanying notes to financial statements.

# CANADA WEST FOUNDATION

## Statement of Changes in Net Assets

Year ended December 31, 2016, with comparative information for 2015

	Restricted for endowment purposes	Unrestricted	2016	2015
Balance, beginning of year	\$ 7,802,178	\$ 852,911	\$ 8,655,089	\$ 8,858,448
(Deficiency) excess of revenues over expenses	–	241,594	241,594	(203,359)
Withdrawal from endowment (note 8)	(432,950)	432,950	–	–
Transfers (note 8)	580,607	(580,607)	–	–
<b>Balance, end of year</b>	<b>\$ 7,949,835</b>	<b>\$ 946,848</b>	<b>\$ 8,896,683</b>	<b>\$ 8,655,089</b>

See accompanying notes to financial statements.

# CANADA WEST FOUNDATION

## Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenues over expenses	\$ 241,594	\$ (203,359)
Items not involving cash:		
Deferred contributions recognized as revenue	(830,621)	(201,454)
Depreciation	14,542	17,465
Gain on sale of investments	(139,677)	(312,757)
Change in unrealized gain on investments	(352,810)	206,297
	(1,066,972)	(493,808)
Changes in non-cash operating working capital accounts:		
Accounts receivable	(36,639)	8,392
Inventory	6,536	-
Accounts payable and accrued liabilities	(33,663)	(26,194)
	(1,130,738)	(511,610)
Financing:		
Proceeds from operating loan	120,000	-
Deferred contributions received	752,545	132,500
Purchase of investments	(1,261,724)	(1,969,100)
Proceeds on sale of investments	1,487,434	2,162,931
Purchase of furniture and equipment	(29,855)	(34,811)
	1,068,400	291,520
Increase (decrease) in cash and cash equivalents	(62,338)	(220,090)
Cash and cash equivalents, beginning of year	82,204	302,294
Cash and cash equivalents, end of year	\$ 19,866	\$ 82,204

See accompanying notes to financial statements.

# CANADA WEST FOUNDATION

## Notes to Financial Statements

Year ended December 31, 2016, with comparative information for 2015

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The Canada West Foundation (the "Foundation") was formed to engage in research and education in the area of economic, social and public policy.

The Foundation is a not-for-profit organization under Section 149(1) of the Income Tax Act and accordingly is not taxable on the revenues it receives and earns from operations.

### 1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit standards in Part III of the Chartered Professional Accountants ("CPA") Handbook.

(a) Cash and cash equivalents:

The Foundation considers all highly liquid investments that are readily convertible to cash or with an original maturity of three months or less to be cash and cash equivalents. These consist of cash and term deposits.

(b) Furniture and equipment:

Computer equipment, phone system and furniture are recorded at cost and depreciation is provided on a declining balance basis at an annual rate of 30%. Leasehold Improvements are recorded at cost and depreciation is provided on a straight-line basis over the term of the lease.

(c) Inventory:

Inventory consists of various publications and other items for resale. Inventory is valued at the lower of cost or net realizable value. Cost is determined on a specific item costing basis.

(d) Revenue recognition:

The Foundation follows the deferral method of accounting for contributions. Deferred contributions are revenues received in the current year that are used for projects in the upcoming years.

Unrestricted corporate donations are recognized when payments are made or committed. Restricted donations related to special project revenue is recognized as revenue in the year in which the related expenses are recognized. Donations received in kind are recorded at fair market value, determined at the date the donation is made. Endowment contributions are recognized as a direct increase in net assets. Endowment withdrawals are recognized as a direct decrease in net assets.



# CANADA WEST FOUNDATION

Notes to Financial Statements, page 2

Year ended December 31, 2016, with comparative information for 2015

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## 1. Significant accounting policies:

### (e) 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. The Foundation has not elected to carry any such financial instruments 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, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

### (f) Allocation of expenses:

The Foundation allocates certain of its rent, meals, travel and entertainment, and office and general expenses between general and administrative expenses and programs and special projects expenses, by identifying the appropriate basis of allocating each expense. Salaries and benefits are allocated based on the time each employee spends on a function.

### (g) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

# CANADA WEST FOUNDATION

Notes to Financial Statements, page 3

Year ended December 31, 2016, with comparative information for 2015

## 2. Accounts receivable:

	2016	2015
Trade receivables	\$ 148,444	\$ 86,770
Accrued income	20,880	31,939
GST receivable	7,725	15,991
Other	25,654	31,364
	<u>\$ 202,703</u>	<u>\$ 166,064</u>

## 3. Investments:

The Foundation's investments are professionally managed. The primary objective of the investments is to provide for long-term capital preservation while providing for the annual spending requirements of the Foundation.

December 31, 2016	Cost	Market value
Common stocks	\$4,536,146	\$ 6,171,733
Government and corporate bonds	2,601,458	2,628,833
Cash	125,205	125,205
	<u>\$ 7,262,809</u>	<u>\$ 8,925,771</u>

December 31, 2015	Cost	Market value
Common stocks	\$ 3,893,342	\$ 5,142,050
Government and corporate bonds	3,439,637	3,501,081
Cash	15,863	15,863
	<u>\$ 7,348,842</u>	<u>\$ 8,658,994</u>

# CANADA WEST FOUNDATION

Notes to Financial Statements, page 4

Year ended December 31, 2016, with comparative information for 2015

## 4. Furniture and equipment:

			2016	2015
	Cost	Accumulated depreciation	Net book value	Net book value
Computer equipment	\$ 250,032	\$ 213,724	\$ 36,308	\$ 43,502
Phone system	23,042	21,301	1,741	2,488
Furniture	66,757	64,145	2,612	2,484
Leasehold improvements	44,005	20,879	23,126	–
	\$ 383,836	\$ 320,049	\$ 63,787	\$ 48,474

Included in furniture and equipment for the year is amortization of \$14,542 (2015 - \$17,465).

## 5. Operating loan:

The Foundation has access to a \$200,000 revolving operating facility, which is due on demand and bears interest at the bank's prime rate plus 2.35% (2015 – bank's prime rate plus 2.35%). The facility is secured by a general security agreement, and as at December 31, 2016, \$120,000 was drawn (2015 - \$nil).

## 6. Deferred contributions:

	2016	2015
Balance, beginning of year	\$ 213,862	\$ 282,816
Contributions received during the year	752,545	132,500
Recognized as revenue during the year	(830,621)	(201,454)
	\$ 135,786	\$ 213,862

## 7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$nil (2015 - \$nil) which includes amounts payable for payroll related taxes.

## 8. Net asset balances:

The distribution of the original endowment capital is not permitted. The Foundation did not receive any endowment contributions in 2016 (2015 - \$nil).

# CANADA WEST FOUNDATION

Notes to Financial Statements, page 5

Year ended December 31, 2016, with comparative information for 2015

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## 8. Net asset balances (continued):

During the year, \$580,607 was transferred from unrestricted net assets to the restricted for endowment purposes fund, as a result of board approval of an internal policy which stipulates that the reserve level of the endowment fund is to be adjusted for inflation.

During 2016, there was a \$432,950 transfer between the endowment investment and unrestricted net assets.

On an annual basis, provided that the market value of the endowment is not less than the reserve level, the Foundation may transfer from the endowment the lesser of: (i) up to 5% of the market value of the endowment as of January 1 of the same calendar year, or; (ii) the difference between the market value and the reserve level of the fund as of January 1 of the same calendar year. In 2016, 5% of the total market value of the endowment as of January 1 of the same calendar year was \$432,950, and the difference between the market value and reserve level of the fund as of January 1 of the same calendar year was \$856,816.

Special withdrawals over and above those made under points (i) and (ii) require the approval by motion of the Board of Directors. In 2016, a special withdrawal from the endowment of up to \$137,670 was approved by the Board (2015 - \$162,235), but not withdrawn.

## 9. Related party transactions:

During the year, a donation of \$25,000 (2015 - \$25,000) was received from a company managed by a director. No amount was outstanding as receivable at December 31, 2016 (2015 - \$nil).

All related party transactions are within the normal course of business and have been measured at the exchange amounts, which are the amounts of consideration established and agreed to by the related parties.

## 10. Financial instruments:

### (a) Credit risk:

The Foundation's maximum exposure to credit risk is on cash, term deposits, accounts receivable and the investment in the endowment fund.

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Notes to Financial Statements, page 6

Year ended December 31, 2016, with comparative information for 2015

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## 10. Financial instruments (continued):

### (a) Credit risk (continued):

Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Cash consists of cash and bank balances; the term deposit represents a short-term investment with a Canadian bank. Credit risk for accounts receivable and the fund investment is the risk that the obligation will fail to be discharged causing the Foundation to incur a financial loss. Credit risk is minimized by ensuring that cash is deposited with reputable commercial banks and term deposits are limited to amounts covered by insurance limits, that credit is only extended to those entities that management believes has the financial capacity to pay obligations due to the Foundation, and the fund investment are diversified across different classes of assets and are such investments are managed by professional managers.

Management and the Board of Directors of the Foundation periodically review its investments to ensure that the credit risk assumed is appropriate.

### (b) Liquidity risk:

Liquidity risk is the risk that the Foundation will encounter difficulty in raising donations or liquidate investments to meet commitments or protect its assets. Management controls liquidity risk through cash flow projections used to forecast funding requirements for its financial instruments.

### (c) Market risk:

Current and future investments in the endowment fund are subject to market risk due to changes in the value of investments in the fund. Fluctuations in general market interest rates have an impact on investments returns in the term deposits and fixed income investments in the endowment fund.

### (d) Interest rate risk:

The Foundation is exposed to interest rate risk relating to the income earned on its interest bearing investments as most of these investments have a fixed interest rate for a specified period of time. A 1% reduction in interest rates would reduce the interest income earned by \$26,288.

### (e) Foreign currency:

The Foundation is exposed to foreign currency fluctuations on investments denominated in US dollars.

# CANADA WEST FOUNDATION

Notes to Financial Statements, page 7

Year ended December 31, 2016, with comparative information for 2015

## 11. Commitments:

The Foundation has entered into certain operating lease commitments for office space and equipment with future payments as follows:

2017	\$	125,980
2018		137,806
2019		138,843
2020		72,872
2021		—

## 12. Allocation of costs by function:

Expenses allocated to general and administrative and research programs and special projects are set out below:

	General and administrative	Research programs and special projects	2016
Salaries and benefits	\$ 373,551	\$ 1,260,481	\$ 1,634,032
Rent	22,100	97,617	119,717
Business travel and events	90,411	68,185	158,596
Office and general	44,079	24,589	68,668
Non-allocated costs	77,854	160,035	237,889
	\$ 607,995	\$ 1,610,907	\$ 2,218,902

	General and administrative	Research programs and special projects	2015
Salaries and benefits	\$ 266,807	\$ 1,421,610	\$ 1,688,417
Rent	59,557	68,078	127,635
Business travel and events	50,173	100,297	150,470
Office and general	36,951	15,766	52,717
Non-allocated costs	164,594	77,405	241,999
	\$ 578,082	\$ 1,683,156	\$ 2,261,238

# CANADA WEST FOUNDATION

Notes to Financial Statements, page 8

Year ended December 31, 2016, with comparative information for 2015

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## 13. Special projects and donations:

	2016	2015
Tax receipted revenues	\$ 302,130	\$ 413,438
Government and non-tax receipted revenues	1,533,795	1,348,533
	<u>\$ 1,835,925</u>	<u>\$ 1,761,971</u>

Expenses incurred for the purposes of soliciting contributions were \$nil (2015 – \$46,845). Remuneration paid to employees, whose principal duties involved fund-raising, was \$86,667 (2015 – \$118,191).

## 14. Comparative information:

Certain comparative figures have been reclassified to be consistent with current year presentation.