

Financial Statements of

# **CANADA WEST FOUNDATION**

Year ended December 31, 2017



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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, 2017, 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, 2017, 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 6, 2018  
Calgary, Canada

# CANADA WEST FOUNDATION

## Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 173,230	\$ 19,866
Accounts receivable (note 2)	124,046	202,703
	<u>297,276</u>	<u>222,569</u>
Investments (note 3)	8,818,445	8,925,771
Furniture and equipment (note 4)	49,489	63,787
	<u>\$ 9,165,210</u>	<u>\$ 9,212,127</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Operating loan (Note 5)	\$ —	\$ 120,000
Accounts payable and accrued liabilities (note 7)	31,463	59,658
Deferred contributions (note 6)	150,786	135,786
	<u>182,249</u>	<u>315,444</u>
Net assets (note 8):		
Restricted for endowment purposes	8,100,882	7,949,835
Unrestricted	882,079	946,848
	<u>8,982,961</u>	<u>8,896,683</u>
Commitments (note 11)		
	<u>\$ 9,165,210</u>	<u>\$ 9,212,127</u>

See accompanying notes to financial statements.

Approved by the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# CANADA WEST FOUNDATION

## Statement of Operations

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Revenues:		
Special projects and donations (notes 9 and 13)	\$ 1,475,301	\$ 1,835,925
Investment and other income	224,184	185,268
Realized gain on sale of investments	279,670	139,677
	<u>1,979,155</u>	<u>2,160,870</u>
Expenses:		
Research programs and special projects (note 12)	1,487,265	1,610,907
General and administrative (note 12)	496,547	607,995
Investment management fee	39,196	38,642
Depreciation (note 4)	16,914	14,542
	<u>2,039,922</u>	<u>2,272,086</u>
Change in unrealized gain on investments	147,045	352,810
Excess of revenues over expenses	<u>\$ 86,278</u>	<u>\$ 241,594</u>

See accompanying notes to financial statements.

# CANADA WEST FOUNDATION

## Statement of Changes in Net Assets

Year ended December 31, 2017, with comparative information for 2016

	Restricted for endowment purposes	Unrestricted	2017	2016
Balance, beginning of year	\$7,949,835	\$ 946,848	\$ 8,896,683	\$ 8,655,089
Excess of revenues over expenses	–	86,278	86,278	241,594
Withdrawal from endowment (note 8)	(746,779)	746,779	–	–
Transfers (note 8)	897,826	(897,826)	–	–
<b>Balance, end of year</b>	<b>\$ 8,100,882</b>	<b>\$ 882,079</b>	<b>\$ 8,982,961</b>	<b>\$ 8,896,683</b>

See accompanying notes to financial statements.

# CANADA WEST FOUNDATION

## Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 86,278	\$ 241,594
Items not involving cash:		
Deferred contributions recognized as revenue (note 6)	(492,805)	(830,621)
Depreciation	16,914	14,542
Gain on sale of investments	(279,670)	(139,677)
Change in unrealized gain on investments	(147,045)	(352,810)
	(816,328)	(1,066,972)
Changes in non-cash operating working capital accounts:		
Accounts receivable	78,657	(36,639)
Inventory	—	6,536
Accounts payable and accrued liabilities	(28,195)	(33,663)
	(765,866)	(1,130,738)
Financing:		
(Repayment of) proceeds from operating loan	(120,000)	120,000
Deferred contributions received (note 6)	507,805	752,545
Purchase of investments	(1,370,332)	(1,261,724)
Proceeds on sale of investments	1,904,373	1,487,434
Purchase of furniture and equipment	(2,616)	(29,855)
	919,230	1,068,400
Increase (decrease) in cash and cash equivalents	153,364	(62,338)
Cash and cash equivalents, beginning of year	19,866	82,204
Cash and cash equivalents, end of year	\$ 173,230	\$ 19,866

See accompanying notes to financial statements.

# CANADA WEST FOUNDATION

## Notes to Financial Statements

Year ended December 31, 2017, with comparative information for 2016

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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) 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, 2017, with comparative information for 2016

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## 1. Significant accounting policies (continued):

### (d) 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.

### (e) Allocation of expenses:

The Foundation allocates certain of its rent, meals, travel and entertainment, research, 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.

### (f) 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. Such estimates include providing for the useful life of property and equipment. Actual results could differ from those estimates.

# CANADA WEST FOUNDATION

Notes to Financial Statements, page 3

Year ended December 31, 2017, with comparative information for 2016

## 2. Accounts receivable:

	2017	2016
Trade receivables	\$ 84,824	\$ 148,444
Accrued income	8,445	20,880
GST receivable	12,689	7,725
Other	18,088	25,654
	<u>\$ 124,046</u>	<u>\$ 202,703</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, 2017	Cost	Market value
Common stocks	\$ 4,339,413	\$ 6,139,016
Government and corporate bonds	2,588,581	2,598,985
Cash	80,444	80,444
	<u>\$ 7,008,438</u>	<u>\$ 8,818,445</u>

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>

# CANADA WEST FOUNDATION

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Year ended December 31, 2017, with comparative information for 2016

## 4. Furniture and equipment:

			2017	2016
	Cost	Accumulated depreciation	Net book value	Net book value
Computer equipment	\$ 252,647	\$ 224,167	\$ 28,480	\$ 36,308
Phone system	23,042	21,823	1,219	1,741
Furniture	66,757	65,883	874	2,612
Leasehold improvements	44,005	25,089	18,916	23,126
	\$ 386,451	\$ 336,962	\$ 49,489	\$ 63,787

Included in furniture and equipment for the year is depreciation of \$16,914 (2016 - \$14,542).

## 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% (2016 – bank's prime rate plus 2.35%). The facility is secured by a general security agreement, and as at December 31, 2017, \$nil was drawn (2016 - \$120,000).

## 6. Deferred contributions:

	2017	2016
Balance, beginning of year	\$ 135,786	\$ 213,862
Contributions received during the year	507,805	752,545
Recognized as revenue during the year	(492,805)	(830,621)
	\$ 150,786	\$ 135,786

## 7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$nil (2016 - \$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 2017 (2016 - \$nil).

# CANADA WEST FOUNDATION

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Year ended December 31, 2017, with comparative information for 2016

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## 8. Net asset balances (continued):

During the year, \$151,047 and \$746,779 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.

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 2017, 5% of the total market value of the endowment as of January 1 of the same calendar year was \$446,289, and the difference between the market value and reserve level of the fund as of January 1 of the same calendar year was \$975,936.

Special withdrawals over and above those made under points (i) and (ii) require the approval by motion of the Board of Directors. In 2017, a special withdrawal from the endowment of up to \$50,490 was approved by the Board (2016 - \$137,670), and was withdrawn (2016 – was not withdrawn). In 2017, the Board of Directors also approved a withdrawal of up to \$450,000 to be repaid before July 31, 2018. Of this amount, \$250,000 was withdrawn during the year and has not been transferred back to the endowment fund as at December 31, 2017.

## 9. Related party transactions:

During the year, a donation of \$25,000 (2016 - \$25,000) was received from a company managed by a director. The full amount is included in accounts receivable at December 31, 2017 (2016 - \$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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Year ended December 31, 2017, with comparative information for 2016

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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 \$25,990.

### (e) Foreign currency:

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

# CANADA WEST FOUNDATION

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Year ended December 31, 2017, with comparative information for 2016

## 11. Commitments:

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

2018	\$	137,806
2019		138,843
2020		72,872
2021		–
2022		–

## 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	2017
Salaries and benefits	\$ 361,523	\$ 1,239,465	\$ 1,600,988
Rent	19,867	66,880	86,747
Meals, travel and entertainment	30,501	52,920	83,421
Office and general	17,746	15,402	33,148
Research expenses	5,160	74,249	79,409
Non-allocated costs	61,750	38,349	100,099
	\$ 496,547	\$ 1,487,265	\$ 1,983,812

	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
Research expenses	5,253	112,281	117,534
Non-allocated costs	72,601	47,754	120,355
	\$ 607,995	\$ 1,610,907	\$ 2,218,902

# CANADA WEST FOUNDATION

Notes to Financial Statements, page 8

Year ended December 31, 2017, with comparative information for 2016

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## 13. Special projects and donations:

	2017	2016
Tax receipted revenues	\$ 212,169	\$ 302,130
Government and non-tax receipted revenues	1,263,132	1,533,795
	<u>\$ 1,475,301</u>	<u>\$ 1,835,925</u>

Expenses other than salaries and benefits, incurred for the purposes of soliciting contributions were \$nil (2016 – \$nil). Remuneration paid to employees, whose principal duties involved fund-raising, was \$130,000 (2016 – \$86,667).

## 14. Comparative information:

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