

Financial Statements of

CANADA WEST FOUNDATION

And Independent Auditors' Report thereon

Year ended December 31, 2018



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Canada West Foundation

Opinion

We have audited the financial statements of Canada West Foundation (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, 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 Opinion

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 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 opinion.

Responsibilities of Management and Those Charged with Governance 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.

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's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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

Calgary, Canada
June 4, 2019

CANADA WEST FOUNDATION

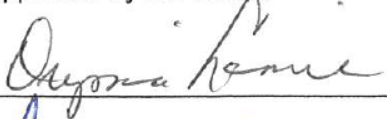
Statement of Financial Position

December 31, 2018, with comparative information for 2017

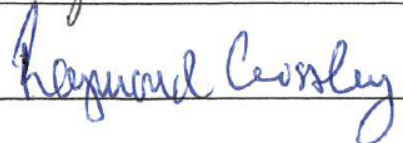
	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 151,813	\$ 173,230
Short term deposits	109,000	—
Accounts receivable (note 2 and 9)	128,806	124,046
	<u>389,619</u>	<u>297,276</u>
Investments (note 3)	8,152,674	8,818,445
Furniture and equipment (note 4)	34,415	49,489
	<u>\$ 8,576,708</u>	<u>\$ 9,165,210</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	18,806	31,463
Deferred contributions (note 6)	160,656	150,786
	<u>179,462</u>	<u>182,249</u>
Net assets (note 8):		
Restricted for endowment purposes	8,254,799	8,100,882
Unrestricted	142,447	882,079
	<u>8,397,246</u>	<u>8,982,961</u>
Commitments (note 11)		
Subsequent event (note 8)		
	<u>\$ 8,576,708</u>	<u>\$ 9,165,210</u>

See accompanying notes to financial statements.

Approved by the Board:



Director



Director

CANADA WEST FOUNDATION

Statement of Operations

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Revenues:		
Special projects and donations (notes 9 and 13)	\$ 2,079,275	\$ 1,475,301
Investment and other income	235,025	224,184
Realized gain on sale of investments	289,746	279,670
	<u>2,604,046</u>	<u>1,979,155</u>
Expenses:		
Research programs and special projects (note 12)	1,828,299	1,487,265
General and administrative (note 12)	542,900	496,547
Investment management fee	30,720	39,196
Depreciation (note 4)	21,896	16,914
	<u>2,423,815</u>	<u>2,039,922</u>
Change in unrealized (loss) gain on investments	(765,946)	147,045
(Deficiency) excess of revenues over expenses	<u>\$ (585,715)</u>	<u>\$ 86,278</u>

See accompanying notes to financial statements.

CANADA WEST FOUNDATION

Statement of Changes in Net Assets

Year ended December 31, 2018, with comparative information for 2017

	Restricted for endowment purposes	Unrestricted	2018	2017
Balance, beginning of year	\$8,100,882	\$ 882,079	\$ 8,982,961	\$ 8,896,683
(Deficiency) excess of revenues over expenses	–	(585,715)	(585,715)	86,278
Withdrawal from endowment (note 8)	(440,922)	440,922	–	–
Transfers (note 8)	594,839	(594,839)	–	–
Balance, end of year	\$ 8,254,799	\$ 142,447	\$ 8,397,246	\$ 8,982,961

See accompanying notes to financial statements.

CANADA WEST FOUNDATION

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
(Deficiency) excess of revenues over expenses	\$ (585,715)	\$ 86,278
Items not involving cash:		
Deferred contributions recognized as revenue (note 6)	(285,290)	(492,805)
Depreciation	21,896	16,914
Gain on sale of investments	(289,746)	(279,670)
Change in unrealized gain on investments	765,946	(147,045)
	(372,909)	(816,328)
Changes in non-cash operating working capital accounts:		
Accounts receivable	(4,760)	78,657
Accounts payable and accrued liabilities	(12,657)	(28,195)
	(390,326)	(765,866)
Financing:		
Repayment of from operating loan	–	(120,000)
Deferred contributions received (note 6)	295,160	507,805
	295,160	387,805
Investing:		
Purchase of investments	(1,869,043)	(1,370,332)
Proceeds on sale of investments	2,058,614	1,904,373
Purchase of furniture and equipment	(6,822)	(2,616)
Purchase of short term deposits	(109,000)	–
	73,749	531,425
Increase (decrease) in cash and cash equivalents	(21,417)	153,364
Cash and cash equivalents, beginning of year	173,230	19,866
Cash and cash equivalents, end of year	\$ 151,813	\$ 173,230

See accompanying notes to financial statements.

CANADA WEST FOUNDATION

Notes to Financial Statements

Year ended December 31, 2018, with comparative information for 2017

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 short 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

Year ended December 31, 2018, with comparative information for 2017

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 expenses by programs and special projects, business related travel and events, and operation and general administrations 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 and fair value of investments. Actual results could differ from those estimates.

CANADA WEST FOUNDATION

Notes to Financial Statements

Year ended December 31, 2018, with comparative information for 2017

2. Accounts receivable:

	2018	2017
Trade receivables	\$ 72,160	\$ 84,824
Accrued income	18,564	8,445
GST receivable	12,689	12,689
Other	25,393	18,088
	\$ 128,806	\$ 124,046

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, 2018	Cost	Market value
Common stocks	\$ 3,524,049	\$ 4,617,675
Government and corporate bonds	3,127,128	3,077,434
Cash	457,565	457,565
	\$ 7,108,742	\$ 8,152,674

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
	\$ 7,008,438	\$ 8,818,445

CANADA WEST FOUNDATION

Notes to Financial Statements

Year ended December 31, 2018, with comparative information for 2017

4. Furniture and equipment:

			2018	2017
	Cost	Accumulated depreciation	Net book value	Net book value
Computer equipment	\$ 244,508	\$ 219,689	\$ 24,819	\$ 28,480
Phone system	23,042	22,188	854	1,219
Furniture	1,227	51	1,176	874
Leasehold improvements	18,916	11,350	7,566	18,916
	\$ 287,693	\$ 253,278	\$ 34,415	\$ 49,489

Included in furniture and equipment for the year is depreciation of \$21,896 (2017 - \$16,914).

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% (2017 – bank's prime rate plus 2.35%). The facility is secured by a general security agreement, and as at December 31, 2018, \$nil was drawn (2017 - \$nil).

6. Deferred contributions:

	2018	2017
Balance, beginning of year	\$ 150,786	\$ 135,786
Contributions received during the year	295,160	507,805
Recognized as revenue during the year	(285,290)	(492,805)
	\$ 160,656	\$ 150,786

7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$nil (2017 - \$nil) which includes amounts payable for payroll related taxes.

CANADA WEST FOUNDATION

Notes to Financial Statements

Year ended December 31, 2018, with comparative information for 2017

8. Net asset balances:

The distribution of the original endowment capital is not permitted. The Foundation did not receive any endowment contributions in 2018 (2017 - \$nil).

During the year, \$153,917 (2017 - \$151,047) 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 2018, 5% of the total market value of the endowment as of January 1 of the same calendar year was \$440,922 (2017 - \$446,289). The transfer amount of \$594,839 (2017 - \$897,826) includes the 5% transfer to operations and the endowment inflation adjustment.

The difference between the market value and reserve level of the fund as of January 1 of the same calendar year (2018) was \$717,563.

Special withdrawals over and above those made under points (i) and (ii) require the approval by motion of the Board of Directors.

In 2017, the Board approved a special withdrawal of up to \$450,000.

Special Withdrawal Repayment Balance

2017: Special withdrawal transferred to operations	\$ 250,000
2018: Special withdrawal repayment	(40,922)
2018: Previous years' investment management fees paid by operations instead of endowment, were applied to the repayment	(134,000)
December 31, 2018: Special withdrawal repayment balance withstanding	\$ 75,078

On December 31, 2018, the market value of the endowment was \$8,152,674. On the same date, the amount restricted for endowment purposes was \$8,254,799, leaving investments less than the restricted for endowment purposes.

A resolution of the Board on March 1, 2019 authorized a special withdrawal of \$415,606, under section 2.4 of the Endowment policy.

CANADA WEST FOUNDATION

Notes to Financial Statements

Year ended December 31, 2018, with comparative information for 2017

9. Related party transactions:

During the year, a donation of \$25,000 (2017 - \$25,000) was received from a company managed by a director. The full amount is included in accounts receivable at December 31, 2018 (2017 - \$25,000).

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.

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.

CANADA WEST FOUNDATION

Notes to Financial Statements

Year ended December 31, 2018, with comparative information for 2017

10. Financial instruments (continued):

(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 \$30,774.

(e) Foreign currency:

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

There is no change in risk exposures from 2017.

11. Commitments:

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

2019	\$ 138,843
2020	72,872

12. Allocation of costs by function:

Expenses allocated to general and administrative and research programs and special projects are set out below. In 2018 all previously non-allocated expenses were included in office and general expenses. In 2017 non-allocated expenses included: bank charges, communications, insurance, professional fees and IT expenses.

	General and administrative	Research programs and special projects	2018
Salaries and benefits	\$ 380,644	\$ 1,274,330	\$ 1,654,974
Rent	26,755	89,571	116,326
Travel and event	34,939	59,491	94,430
Office and general	77,628	45,591	123,219
Research expenses	22,934	359,316	382,250
	<hr/> \$ 542,900	<hr/> \$ 1,828,299	<hr/> \$ 2,371,199

CANADA WEST FOUNDATION

Notes to Financial Statements

Year ended December 31, 2018, with comparative information for 2017

12. Allocation of costs by function (continued):

	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
Travel and event	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
	<u>\$ 496,547</u>	<u>\$ 1,487,265</u>	<u>\$ 1,983,812</u>

13. Special projects and donations:

	2018	2017
Tax receipted revenues	\$ 327,472	\$ 212,169
Government and non-tax receipted revenues	1,751,803	1,263,132
	<u>\$ 2,079,275</u>	<u>\$ 1,475,301</u>

Expenses other than salaries and benefits, incurred for the purposes of soliciting contributions were \$nil (2017 – \$nil). Remuneration paid to employees, whose principal duties involved fund-raising, was \$150,000 (2017 – \$130,000).

14. Comparative figures:

The prior year Comparative figures have been reclassified to conform to the current year's presentation.