

Financial Statements of

CANADA WEST FOUNDATION

And Independent Auditors' Report thereon

Year ended December 31, 2019



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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, 2019;
- 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, 2019, 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 ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 5, 2020

CANADA WEST FOUNDATION

Statement of Financial Position

December 31, 2019, with comparative information for 2018

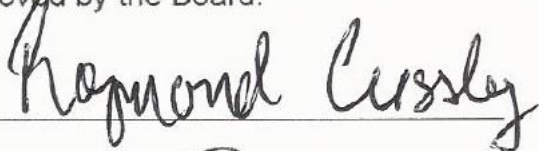
	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 116,593	\$ 151,813
Short term deposits	–	109,000
Accounts receivable (note 2 and 9)	301,875	128,806
Prepaid and deposits	31,112	25,393
	<u>449,580</u>	<u>389,619</u>
Investments (note 3)	8,768,861	8,152,674
Furniture and equipment (note 4)	30,170	34,415
	<u>\$ 9,248,611</u>	<u>\$ 8,576,708</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 7)	43,052	18,806
Deferred contributions (note 6)	268,656	160,656
	<u>311,708</u>	<u>179,462</u>
Net assets (note 8):		
Restricted for endowment purposes	8,411,640	8,254,799
Unrestricted	525,263	142,447
	<u>8,936,903</u>	<u>8,397,246</u>
Commitments (note 11)		
Subsequent event (note 8)		
	<u>\$ 9,248,611</u>	<u>\$ 8,576,708</u>

See accompanying notes to financial statements.

Approved by the Board:



Director



Director

CANADA WEST FOUNDATION

Statement of Operations

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Revenues:		
Special projects and donations (notes 9 and 13)	\$ 1,720,456	\$ 2,079,275
Investment and other income	233,988	235,025
Realized gain on sale of investments	194,439	289,746
	<u>2,148,883</u>	<u>2,604,046</u>
Expenses:		
Research programs and special projects (note 12)	1,646,683	1,828,299
General and administrative (note 12)	550,430	542,900
Investment management fee	38,943	30,720
Depreciation (note 4)	4,870	21,896
	<u>2,240,926</u>	<u>2,423,815</u>
(Deficiency) excess of revenues over expenditures before change in unrealized gain (loss) on investments	(92,043)	180,231
Change in unrealized gain (loss) on investments	631,700	(765,946)
<u>Excess (deficiency) of revenues over expenses</u>	<u>\$ 539,657</u>	<u>\$ (585,715)</u>

See accompanying notes to financial statements.

CANADA WEST FOUNDATION

Statement of Changes in Net Assets

Year ended December 31, 2019, with comparative information for 2018

	Restricted for endowment purposes	Unrestricted	2019	2018
Balance, beginning of year	\$8,254,799	\$ 142,447	\$ 8,397,246	\$ 8,982,961
Excess (deficiency) of revenues over expenses	–	539,657	539,657	(585,715)
Transfers (note 8)	156,841	(156,841)	–	–
Balance, end of year	\$ 8,411,640	\$ 525,263	\$ 8,936,903	\$ 8,397,246

See accompanying notes to financial statements.

CANADA WEST FOUNDATION

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenues over expenses	\$ 539,657	\$ (585,715)
Items not involving cash:		
Deferred contributions recognized as revenue (note 6)	(177,000)	(285,290)
Depreciation	4,870	21,896
Gain on sale of investments	(194,439)	(289,746)
Change in unrealized gain on investments	(631,700)	765,946
	(458,612)	(372,909)
Changes in non-cash operating working capital accounts:		
Accounts receivable and prepaid and deposits	(204,181)	(4,760)
Accounts payable and accrued liabilities	24,246	(12,657)
	(638,547)	(390,326)
Financing:		
Deferred contributions received (note 6)	285,000	295,160
	285,000	295,160
Investing:		
Purchase of investments	(1,606,303)	(1,869,043)
Proceeds on sale of investments	1,816,255	2,058,614
Purchase of furniture and equipment	(625)	(6,822)
Redemption of short-term deposits	409,000	
Purchase of short term deposits	(300,000)	(109,000)
	318,327	73,749
Decrease in cash and cash equivalents	(35,220)	(21,417)
Cash and cash equivalents, beginning of year	151,813	173,230
Cash and cash equivalents, end of year	\$ 116,593	\$ 151,813

See accompanying notes to financial statements.

CANADA WEST FOUNDATION

Notes to Financial Statements

Year ended December 31, 2019, with comparative information for 2018

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, 2019, with comparative information for 2018

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, 2019, with comparative information for 2018

1. Significant accounting policies (continued):

(g) Change in accounting policies:

In March 2018, the Accounting Standards Board issued “Basis for Conclusions – Accounting Standards Improvements for Not-for-Profit Organizations” resulting in the introduction of new handbook sections in the Accounting Standards for Not-for-Profit Part III of the Handbook as follows:

(i) Section 4433

Tangible capital assets held by not-for-profit organizations, which directs organizations to apply the accounting guidance of Section 3061, Property Plant and Equipment in Part II of the Handbook. In so doing, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components.

This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairments of tangible assets that existed as at January 1, 2019.

(ii) Section 4434

Intangible assets held by not-for-profit organizations, which directs organizations to annually assess intangible assets, and where applicable to record an impairment expenses should the net carrying value be higher than the asset’s fair value or replacement cost.

This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairment of intangible assets that existed as at January 1, 2019.

(iii) Section 4441

Collections held by not-for-profit organizations, which defines a collection and directs organizations to record such assets on the statement of financial position at either cost or nominal value. It is anticipated that all collections will be accounted for using the same method, with the exception of organizations that opt to account for collections at cost, whereby the cost for certain collections either held or contributed cannot be determined. Such items are to be accounted for at a nominal value. In addition, collections are written down when there is evidence that the net carrying amount exceeds fair value.

CANADA WEST FOUNDATION

Notes to Financial Statements

Year ended December 31, 2019, with comparative information for 2018

1. Significant accounting policies (continued):

(g) Change in accounting policies (continued):

(iii) Section 4441 (continued)

Organizations are permitted to retrospectively capitalize collections at their cost or fair value at the date of acquisition, or fair value or replacement cost as at January 1, 2019, based on the most readily determinable value. In addition, an adjustment to opening net assets is permitted to recognize any partial impairment of the value of collections that existed as at January 1, 2019.

The above three amendments are effective for financial statements for fiscal years beginning on or after January 1, 2019. The implementation of these changes had no impact on these financial statements.

2. Accounts receivable:

	2019	2018
Trade receivables	\$ 287,500	\$ 72,160
Accrued income	1,350	18,564
GST receivable	13,025	12,689
	\$ 301,875	\$ 128,806

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, 2019	Cost	Market value
Common stocks	\$ 3,548,183	\$ 5,208,486
Government and corporate bonds	2,975,751	2,991,368
Cash	569,007	569,007
	\$ 7,092,941	\$ 8,768,861

CANADA WEST FOUNDATION

Notes to Financial Statements

Year ended December 31, 2019, with comparative information for 2018

3. Investments (continued):

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
	<u>\$ 7,108,742</u>	<u>\$ 8,152,674</u>

4. Furniture and equipment:

			2019	2018
	Cost	Accumulated depreciation	Net book value	Net book value
Computer equipment	\$ 245,133	\$ (222,626)	\$ 22,507	\$ 24,819
Phone system	23,043	(22,509)	534	854
Furniture	1,227	(151)	1,076	1,176
Leasehold improvements	18,916	(12,863)	6,053	7,566
	<u>\$ 288,319</u>	<u>\$ (258,149)</u>	<u>\$ 30,170</u>	<u>\$ 34,415</u>

Net of depreciation for the year amounting to \$4,870 (2018 – \$21,896).

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% (2018 – bank's prime rate plus 2.35%). The facility is secured by a general security agreement, and as at December 31, 2019, \$nil was drawn (2018 – \$nil).

6. Deferred contributions:

	2019	2018
Balance, beginning of year	\$ 160,656	\$ 150,786
Contributions received during the year	285,000	295,160
Recognized as revenue during the year	(177,000)	(285,290)
	<u>\$ 268,656</u>	<u>\$ 160,656</u>

CANADA WEST FOUNDATION

Notes to Financial Statements

Year ended December 31, 2019, with comparative information for 2018

7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$nil (2018 – \$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 2019 (2018 – \$nil).

During the year, \$156,841 (2018 – \$153,917) 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. Withdrawals over and above points (i) and (ii) require the approval by motion of the Board of Directors.

In 2019, 5% of the total market value of the endowment as of January 1 of the same calendar year was \$407,634 (2018 – \$440,922). The difference between the market value and reserve level of the fund as of January 1 of the same calendar year negative \$102,125 (2018 – \$717,563). Since, as on January 1, 2019, the reserve level of endowment was more than the market value, a resolution of the Board was passed on March 1, 2019 authorizing a special withdrawal of \$415,606, of which \$400,000 was transferred to operations and \$15,606 was used to pay down the Special Withdrawal Repayment Balance (see below).

On December 31, 2019, the market value of the endowment was \$8,768,861. On the same date, the amount restricted for endowment purposes was \$8,411,640 leaving \$357,221 available for the 2020 withdrawal to operations. Withdrawals above that amount will require approval from the board. A resolution of the Board of Directors on June 5, 2020 authorized a withdrawal of \$440,000 of which \$82,779 was a special withdrawal above policy limits.

A further resolution of the Board of Directors on June 5, 2020 authorized the forgiveness of \$59,472 of Special Withdrawal Repayment obligations (see below).

In 2017, the Board approved a special withdrawal of up to \$450,000 of which a total of \$250,000 was withdrawn.

CANADA WEST FOUNDATION

Notes to Financial Statements

Year ended December 31, 2019, with comparative information for 2018

8. Net asset balances (continued):

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)
2019: Special withdrawal repayment	(15,606)
2019 Resolution to forgive interfund obligations	(59,472)
December 31, 2019: Special withdrawal repayment balance withstanding	\$ Nil

9. Related party transactions:

During the year, a donation of \$25,000 (2018 – \$25,000) was received from a company managed by a director. The full amount is included in accounts receivable at December 31, 2019 (2018 – \$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.

CANADA WEST FOUNDATION

Notes to Financial Statements

Year ended December 31, 2019, with comparative information for 2018

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.

(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 \$29,915.

(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 2018.

CANADA WEST FOUNDATION

Notes to Financial Statements

Year ended December 31, 2019, with comparative information for 2018

11. Commitments:

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

2020	\$	119,292
2021		105,438
2022		107,512
2023		108,227
Subsequent years		175,958

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	2019
Salaries and benefits	\$ 397,234	\$ 1,329,872	\$ 1,727,106
Rent	29,168	97,649	126,817
Travel and event	28,938	67,520	96,458
Office and general	88,737	52,116	140,853
Research expenses	6,353	99,526	105,879
	\$ 550,430	\$ 1,646,683	\$ 2,197,113

	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
	\$ 542,900	\$ 1,828,299	\$ 2,371,199

CANADA WEST FOUNDATION

Notes to Financial Statements

Year ended December 31, 2019, with comparative information for 2018

13. Special projects and donations:

	2019	2018
Tax receipted revenues	\$ 354,559	\$ 327,472
Government and non-tax receipted revenues	1,365,897	1,751,803
	<u>\$ 1,720,456</u>	<u>\$ 2,079,275</u>

Expenses other than salaries and benefits, incurred for the purposes of soliciting contributions were \$nil (2018 – \$nil). Remuneration paid to employees, whose principal duties involved fund-raising, was \$178,150 (2018 – \$150,000).

14. Subsequent event:

In January 2020, the World Health Organization declared COVID-19 a global health emergency and on March 11, 2020, COVID-19 was declared a global pandemic. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. At this time, governments and businesses around the world are introducing significant new measures to contain and control the spread of the virus.

There has been a significant drop in commodity prices and equity markets have reacted with the biggest decline experienced in more than a decade. The full impact of these circumstances on businesses will not be fully understood until time has passed. The Foundation has a significant investment portfolio and could be materially impacted by these declines. These subsequent events also result in heightened risk related to the creditworthiness of the related counterparties and their future cash flows. While the impact is not yet known, the Foundation will continue to monitor the impact COVID-19 has on its investments.

15. Comparative figures:

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