

Financial Statements of

CANADA WEST FOUNDATION

And Independent Auditor's Report thereon

Year ended December 31, 2022



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INDEPENDENT AUDITOR'S 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, 2022;
- 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, 2022, 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 "Auditor's Responsibilities for the Audit of the Financial Statements" section of our auditor's 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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 2, 2023

CANADA WEST FOUNDATION

Statement of Financial Position

December 31, 2022, with comparative information for 2021


	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 466,249	\$ 485,603
Accounts receivable (notes 2 and 9)	181,375	181,420
Prepaid expenses and deposits	33,686	23,458
Investments (note 3(b))	50,000	—
	<u>731,310</u>	<u>690,481</u>
Investments (note 3(a))	8,496,899	9,573,381
Furniture and equipment (note 4)	14,914	23,409
	<u>\$ 9,243,123</u>	<u>\$ 10,287,271</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 108,306	\$ 63,673
Deferred contributions (note 6)	332,251	228,633
	<u>440,557</u>	<u>292,306</u>
Net assets (deficit) (note 8):		
Restricted for endowment purposes	9,310,461	8,734,016
Unrestricted	(507,895)	1,260,949
	<u>8,802,566</u>	<u>9,994,965</u>
Commitments (note 11)		
	<u>\$ 9,243,123</u>	<u>\$ 10,287,271</u>

See accompanying notes to financial statements.

Approved by the Board:



Director



Director

CANADA WEST FOUNDATION

Statement of Operations

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Revenues:		
Special projects and donations (notes 9 and 13)	\$ 1,963,468	\$ 1,578,021
Realized gain on sale of investments	649,141	135,575
Investment and other income	300,812	348,765
Government assistance	–	254,300
	<u>2,913,421</u>	<u>2,316,661</u>
Expenses:		
Research programs and special projects (note 12)	1,931,799	1,726,500
General and administrative (note 12)	648,274	525,522
Investment management fee	41,438	40,358
Depreciation	10,577	6,830
	<u>2,632,088</u>	<u>2,299,210</u>
Excess of revenues over expenses before under mentioned item	281,333	17,451
Change in unrealized (loss) gain on investments	(1,473,732)	817,689
<u>(Deficit) excess of revenues over expenses</u>	<u>\$ (1,192,399)</u>	<u>\$ 835,140</u>

See accompanying notes to financial statements.

CANADA WEST FOUNDATION

Statement of Changes in Net Assets

Year ended December 31, 2022, with comparative information for 2021

	Restricted for endowment purposes	Unrestricted	2022	2021
Balance, beginning of year	\$ 8,734,016	\$ 1,260,949	\$ 9,994,965	\$ 9,159,825
(Deficit) excess of revenues over expenses	–	(1,192,399)	(1,192,399)	835,140
Transfers (note 8)	576,445	(576,445)	–	–
Balance, end of year	\$ 9,310,461	\$ (507,895)	\$ 8,802,566	\$ 9,994,965

See accompanying notes to financial statements.

CANADA WEST FOUNDATION

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operations:		
(Deficit) excess of revenues over expenses	\$ (1,192,399)	\$ 835,140
Items not involving cash:		
Depreciation	10,577	6,830
Gain on sale of investments	(649,141)	(135,575)
Change in unrealized loss (gain) on investments	1,473,732	(817,689)
	<u>(357,231)</u>	<u>(111,294)</u>
Changes in non-cash operating working capital accounts:		
Accounts receivable	45	437,651
Prepaid expenses and deposits	(10,228)	16,528
Accounts payable and accrued liabilities	44,633	40,129
Deferred contributions	103,618	(42,442)
	<u>(219,163)</u>	<u>340,572</u>
Investing:		
Purchase of investments	(3,192,509)	(883,748)
Proceeds on sale of investments	3,394,400	1,015,759
Purchase of furniture and equipment	(2,082)	(7,535)
	<u>199,809</u>	<u>124,476</u>
(Decrease) increase in cash and cash equivalents	(19,354)	465,048
Cash and cash equivalents, beginning of year	485,603	20,555
Cash and cash equivalents, end of year	<u>\$ 466,249</u>	<u>\$ 485,603</u>

See accompanying notes to financial statements.

CANADA WEST FOUNDATION

Notes to Financial Statements

Year ended December 31, 2022, with comparative information for 2021

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

The Foundation is a charitable 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 organizations 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 and 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.

When furniture and equipment no longer contribute to the Foundation's ability to provide services, its carrying amount is written down to its residual value. When an asset's carrying amount exceeds its fair value, an impairment loss is recognized.

(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 upcoming years.

Unrestricted 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.

Government assistance toward current expenses are included in the determination of excess of revenues over expenses for the period. Government assistance is presented as part of revenues.

CANADA WEST FOUNDATION

Notes to Financial Statements, page 2

Year ended December 31, 2022, with comparative information for 2021

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 except for investments.

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 administration 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. Actual results could differ from those estimates.

CANADA WEST FOUNDATION

Notes to Financial Statements, page 3

Year ended December 31, 2022, with comparative information for 2021

2. Accounts receivable:

	2022	2021
Trade receivables	\$ 136,440	\$ 144,465
Accrued income	25,202	–
GST receivable	19,733	11,957
Government grant receivable	–	24,998
	<u>\$ 181,375</u>	<u>\$ 181,420</u>

3. Investments:

a) Long-term 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, 2022	Cost	Market value
Common stocks	\$ 3,542,515	\$ 4,896,085
Fixed income securities	3,004,697	2,649,484
Pooled equity funds	953,446	918,874
Cash	32,546	32,546
	<u>\$ 7,533,204</u>	<u>\$ 8,496,899</u>

December 31, 2021	Cost	Market value
Common stocks	\$ 1,911,939	\$ 3,035,150
Fixed income	2,309,105	2,338,487
Pooled equity funds	2,904,658	4,189,582
Cash	10,162	10,162
	<u>\$ 7,135,864</u>	<u>\$ 9,573,381</u>

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Notes to Financial Statements, page 4

Year ended December 31, 2022, with comparative information for 2021

3. Investments (continued):

b) Short-term investments

Short-term investments consist of redeemable prime-linked cashable GIC deposits purchased during the year. Interest is paid monthly, and the deposits can be redeemed at any time. The key terms are as follows:

Purchase Date	Maturity Date	Floating Rate Deposit Amount	Annual interest rate at investment date
June 20, 2022	June 20, 2023	\$ 50,000	1.15%

4. Furniture and equipment:

	Cost	Accumulated depreciation	2022 Net book value	2021 Net book value
Computer equipment	\$ 60,091	\$ (50,686)	\$ 9,405	\$ 15,848
Phone system	4,115	(4,115)	–	65
Furniture	1,763	(1,471)	292	259
Leasehold improvements	23,126	(17,909)	5,217	7,237
	\$ 89,095	\$ (74,181)	\$ 14,914	\$ 23,409

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 1.03% per annum (2021 – bank's prime rate plus 2.35%). The facility is secured by a general security agreement, and as at December 31, 2022, no amount was outstanding (2021 – \$nil).

6. Deferred contributions:

	2022	2021
Balance, beginning of year	\$ 228,633	\$ 271,075
Add: Contributions received during the year	647,000	283,372
Less: Recognized as revenue during the year	(543,382)	(325,814)
	\$ 332,251	\$ 228,633

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Notes to Financial Statements, page 5

Year ended December 31, 2022, with comparative information for 2021

7. Accounts payable and accrued liabilities:

The Foundation recognizes government remittances, which includes amounts payable for payroll related taxes payable, in accounts payable and accrued liabilities. As at year ended December 31, 2022, there were no government remittances included in accounts payable and accrued liabilities (2021 – \$nil).

8. Net asset balances:

The distribution of the original endowment capital is not permitted. The Foundation did not receive any endowment contributions in 2022 (2021 – \$nil).

During the year, \$576,445 (2021 – \$213,025) 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 2022, 5% of the total market value of the endowment as of January 1 was \$478,669 (2021 – \$437,606). The difference between the market value and reserve level of the fund as of January 1 was \$839,365 (2021 – \$231,137), leaving \$478,669 available for the 2022 withdrawal to operations.

9. Related party transactions:

During the year, a donation of \$4,000 (2021 – \$25,000) was received from Directors. The full amount is included in accounts receivable at December 31, 2022 (2021 – \$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.

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Notes to Financial Statements, page 6

Year ended December 31, 2022, with comparative information for 2021

10. Financial instruments:

(a) Credit risk:

The Foundation's maximum exposure to credit risk is on cash and cash equivalents, accounts receivable and investments.

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 and cash equivalents consist of cash and bank balances with a Canadian bank. Credit risk for accounts receivable and investments 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 large commercial banks, that credit is only extended to those entities that management believes has the financial capacity to pay obligations due to the Foundation, and the investments 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 not 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.

(e) Foreign currency:

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

There has been no change to risk exposure from 2021.

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Notes to Financial Statements, page 7

Year ended December 31, 2022, with comparative information for 2021

11. Commitments:

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

2023	\$	108,227
2024		111,131
2025		64,827

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	2022
Salaries and benefits	\$ 506,602	\$ 1,525,387	\$ 2,031,989
Rent	23,457	81,411	104,868
Travel and event	52,701	31,414	84,115
Office and general	65,514	31,622	97,136
Research	–	261,965	261,965
	\$ 648,274	\$ 1,931,799	\$ 2,580,073

	General and administrative	Research programs and special projects	2021
Salaries and benefits	\$ 404,081	\$ 1,352,794	\$ 1,756,875
Rent	24,347	81,511	105,858
Travel and event	11,765	27,452	39,217
Office and general	71,096	41,755	112,851
Research	14,233	222,988	237,221
	\$ 525,522	\$ 1,726,500	\$ 2,252,022

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Notes to Financial Statements, page 8

Year ended December 31, 2022, with comparative information for 2021

13. Special projects and donations:

	2022	2021
Tax receipted revenues	\$ 407,217	\$ 383,601
Government and non-tax receipted revenues	1,556,251	1,194,420
	<u>\$ 1,963,468</u>	<u>\$ 1,578,021</u>

Expenses other than salaries and benefits, incurred for the purposes of soliciting contributions were \$nil (2021 – \$nil). Remuneration paid to employees, whose principal duties involved fund-raising, was \$278,044 (2021 – \$153,291).