

Financial Statements of

CANADA WEST FOUNDATION

And Independent Auditor's Report thereon

Year ended December 31, 2023



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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, 2023;
- 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, 2023, 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

May 31, 2024

CANADA WEST FOUNDATION

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 43,081	\$ 466,249
Accounts and other receivable (notes 2 and 9)	185,567	181,375
Prepaid expenses and deposits	25,844	33,686
Investments (note 3(b))	–	50,000
	<u>254,492</u>	<u>731,310</u>
Investments (note 3(a))	9,305,935	8,496,899
Furniture and equipment (note 4)	12,920	14,914
	<u>\$ 9,573,347</u>	<u>\$ 9,243,123</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 96,836	\$ 108,306
Short-term borrowings (note 5)	200,000	–
Deferred contributions (note 6)	242,751	332,251
	<u>539,587</u>	<u>440,557</u>
Net assets (deficit) (note 7):		
Restricted for endowment purposes	9,410,099	9,310,461
Unrestricted	(376,339)	(507,895)
	<u>9,033,760</u>	<u>8,802,566</u>
Commitments (note 10)		
	<u>\$ 9,573,347</u>	<u>\$ 9,243,123</u>

See accompanying notes to financial statements.

Approved by the Board:



Director



Director

CANADA WEST FOUNDATION

Statement of Operations

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Revenues:		
Special projects and donations (notes 10 and 12)	\$ 2,248,672	\$ 1,963,468
Realized gain on sale of investments	1,066,733	649,141
Investment and other income	192,144	300,812
	<u>3,507,549</u>	<u>2,913,421</u>
Expenses:		
Research programs and special projects (note 11)	1,995,541	1,931,799
General and administrative (note 11)	800,551	648,274
Investment management fee	37,140	41,438
Depreciation	8,106	10,577
	<u>2,841,338</u>	<u>2,632,088</u>
Excess of revenues over expenses before under mentioned item	666,211	281,333
Change in unrealized loss on investments	(435,017)	(1,473,732)
Excess (deficit) of revenues over expenses	<u>\$ 231,194</u>	<u>\$ (1,192,399)</u>

See accompanying notes to financial statements.

CANADA WEST FOUNDATION

Statement of Changes in Net Assets

Year ended December 31, 2023, with comparative information for 2022

	Restricted for endowment purposes	Unrestricted	2023	2022
Balance, beginning of year	\$9,310,461	\$ (507,895)	\$ 8,802,566	\$ 9,994,965
Excess (deficit) of revenues over expenses	–	231,194	231,194	(1,192,399)
Transfers (note 7)	99,638	(99,638)	–	–
Balance, end of year	\$ 9,410,099	\$ (376,339)	\$ 9,033,760	\$ 8,802,566

See accompanying notes to financial statements.

CANADA WEST FOUNDATION

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in) the following activities:		
Operations:		
Excess (deficit) of revenues over expenses	\$ 231,194	\$ (1,192,399)
Items not involving cash:		
Depreciation	8,106	10,577
Gain on sale of investments	(1,066,733)	(649,141)
Change in unrealized loss on investments	435,017	1,473,732
	<u>(392,416)</u>	<u>(357,231)</u>
Changes in non-cash operating working capital accounts:		
Accounts receivable	(4,192)	45
Prepaid expenses and deposits	7,842	(10,228)
Accounts payable and accrued liabilities	(11,470)	44,633
Deferred contributions	(89,500)	103,618
	<u>(489,736)</u>	<u>(219,163)</u>
Investing:		
Purchase of investments	(9,574,301)	(3,192,509)
Proceeds on sale of investments	9,446,981	3,394,400
Purchase of furniture and equipment	(6,112)	(2,082)
	<u>(133,432)</u>	<u>199,809</u>
Financing:		
Proceeds from short-term borrowings	200,000	–
	<u>(423,168)</u>	<u>(19,354)</u>
Decrease in cash and cash equivalents	(423,168)	(19,354)
Cash and cash equivalents, beginning of year	466,249	485,603
Cash and cash equivalents, end of year	<u>\$ 43,081</u>	<u>\$ 466,249</u>

See accompanying notes to financial statements.

CANADA WEST FOUNDATION

Notes to Financial Statements

Year ended December 31, 2023, with comparative information for 2022

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. If an impaired asset's fair value increases subsequently, the impairment loss is not reversed.

(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 received or receivable. Restricted donations related to special project revenue are 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

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Year ended December 31, 2023, with comparative information for 2022

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. Significant areas requiring estimates include valuation of accounts receivable, investments, and the useful life of furniture and equipment. Actual results could differ from those estimates.

CANADA WEST FOUNDATION

Notes to Financial Statements, page 3

Year ended December 31, 2023, with comparative information for 2022

2. Accounts receivable:

	2023	2022
Trade receivables	\$ 151,613	\$ 136,440
Accrued income	3,906	25,202
GST receivable	30,048	19,733
	<u>\$ 185,567</u>	<u>\$ 181,375</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, 2023	Cost	Market value
Common stocks	\$ 4,375,754	\$ 4,908,592
Fixed income	3,348,817	3,380,544
Pooled equity funds	816,156	780,269
Cash	236,530	236,530
	<u>\$ 8,777,257</u>	<u>\$ 9,305,935</u>

December 31, 2022	Cost	Market value
Common stocks	\$ 3,542,515	\$ 4,896,085
Fixed income	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>

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Year ended December 31, 2023, with comparative information for 2022

3. Investments (continued):

b) Short-term investments

Short-term investments in previous year consisted of redeemable prime-linked cashable GIC deposits. Interest was paid monthly, and the deposits was redeemed at any time. The key terms were 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	2023 Net book value	2022 Net book value
Computer equipment	\$ 63,442	\$ (56,509)	\$ 6,933	\$ 9,405
Phone system	6,175	(4,254)	1,921	–
Furniture	2,463	(1,595)	868	292
Leasehold improvements	23,126	(19,928)	3,198	5,217
	\$ 95,206	\$ (82,286)	\$ 12,920	\$ 14,914

5. Short-term borrowings:

The Foundation has access to a \$200,000 (2022 – \$200,000) revolving operating facility with a Canadian chartered bank, which is due on demand and bears interest at the bank's prime rate plus 1.03% per annum (2022 – bank's prime rate plus 1.03%). The facility is secured by a general security agreement, and as at December 31, 2023, there was no amount outstanding (2022 – \$nil).

The Foundation also has access to a \$1,000,000 (2022 – \$nil) margin account with another Canadian chartered bank, which is due on demand and bears interest at 7.70% per annum. The interest rate varies with the monthly average balance drawn under this facility. The facility is secured by a general security agreement, and as at December 31, 2023, the outstanding amount is \$200,000 (2022 – \$nil).

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Year ended December 31, 2023, with comparative information for 2022

6. Deferred contributions:

	2023	2022
Balance, beginning of year	\$ 332,251	\$ 228,633
Add: Contributions received during the year	355,000	647,000
Less: Recognized as revenue during the year	(444,500)	(543,382)
	\$ 242,751	\$ 332,251

7. Net asset balances:

The distribution of the original endowment capital is not permitted. The Foundation did not receive any endowment contributions in 2023 (2022 – \$nil).

During the year, \$99,638 (2022 – \$576,445) 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 2023, 5% of the total market value of the endowment as of January 1 was \$424,845 (2022 – \$478,669). However, as of January 1 the market value of the endowment was less than the reserve level (2022 – excess of market value of the endowment over the reserve level – \$839,365), leaving \$nil available for the 2023 withdrawal to operations (2022 – \$478,669).

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Year ended December 31, 2023, with comparative information for 2022

8. Related party transactions:

During the year, a donation of \$24,932 (2022 – \$4,000) was received from directors and officers of the Foundation. Out of this, \$nil is included in accounts receivable at December 31, 2023 (2022 – \$4,000).

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.

9. 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.

CANADA WEST FOUNDATION

Notes to Financial Statements, page 7

Year ended December 31, 2023, with comparative information for 2022

9. Financial instruments (continued):

(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. The Foundation's short-term borrowings has a variable interest rate which varies with the monthly average balance drawn under this facility. As a result, the Foundation is exposed to interest rate risk due to fluctuations in the monthly balance.

(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 2022.

10. Commitments:

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

2024	\$ 111,131
2025	64,827

11. 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	2023
Salaries and benefits	\$ 608,776	\$ 1,554,869	\$ 2,163,645
Rent	26,671	94,561	121,232
Travel and event	91,661	90,421	182,082
Office and general	73,443	40,970	114,413
Research	–	214,720	214,720
	\$ 800,551	\$ 1,995,541	\$ 2,796,092

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Notes to Financial Statements, page 8

Year ended December 31, 2023, with comparative information for 2022

11. Allocation of costs by function (continued):

	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

12. Special projects and donations:

	2023	2022
Tax receipted revenues	\$ 538,737	\$ 407,217
Government and non-tax receipted revenues	1,709,935	1,556,251
	\$ 2,248,672	\$ 1,963,468

Expenses other than salaries and benefits, incurred for the purposes of soliciting contributions were \$nil (2022 – \$nil). Remuneration paid to employees, whose principal duties involved fund-raising, was \$297,266 (2022 – \$278,044).