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Financial statements of  
Canadian Foundation for  
Governance Research

June 30, 2018

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## Independent Auditor's Report

To the Member of  
Canadian Foundation for Governance Research

We have audited the accompanying financial statements of Canadian Foundation for Governance Research, which comprise the statement of financial position as at June 30, 2018, and the statements of operations and changes in fund balances and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Foundation for Governance Research as at June 30, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Other matter

The financial statements of Canadian Foundation for Governance Research for the year ended June 30, 2017 were audited by another auditor who expressed an unmodified opinion on November 9, 2017.

*Deloitte* LLP

Chartered Professional Accountants  
Licensed Public Accountants  
September 10, 2018

# Canadian Foundation for Governance Research

## Statement of financial position

As at June 30, 2018

	Notes	Operating Fund	Research Awards Fund	Endow- ment Fund	2018	2017
		\$	\$	\$	\$	\$
<b>Assets</b>						
Current assets						
Cash and cash equivalents	3	57,516	72,726	91,836	222,078	89,262
Due from other Funds	5	—	401,224	—	401,224	—
Harmonized Sales Tax and other receivables		2,241	—	—	2,241	840
		<b>59,757</b>	<b>473,950</b>	<b>91,836</b>	<b>625,543</b>	<b>90,102</b>
Long-term investments	4	513,422	203,598	1,062,198	1,779,218	1,861,019
		<b>573,179</b>	<b>677,548</b>	<b>1,154,034</b>	<b>2,404,761</b>	<b>1,951,121</b>
<b>Liabilities</b>						
Accounts payable and accrued liabilities		11,658	—	—	11,658	8,000
Due to other Funds	5	25,486	—	375,738	401,224	—
		<b>37,144</b>	<b>—</b>	<b>375,738</b>	<b>412,882</b>	<b>8,000</b>
<b>Fund balances</b>						
Externally restricted	7	—	677,548	778,296	1,455,844	1,342,681
Unrestricted		536,035	—	—	536,035	600,440
		<b>573,179</b>	<b>677,548</b>	<b>1,154,034</b>	<b>2,404,761</b>	<b>1,951,121</b>

The accompanying notes are an integral part of the financial statements.

On behalf of the Board

\_\_\_\_\_, Director

\_\_\_\_\_, Director

## Canadian Foundation for Governance Research

### Statement of operations and changes in fund balances

Year ended June 30, 2018

	Operating Fund	Research Awards Fund	Endow- ment Fund	2018	2017
Notes	\$	\$	\$	\$	\$
					(Restated - Note 2)
<b>Revenue</b>					
Research sponsorship	125,000	—	—	125,000	10,209
Investment income	73,153	140,230	—	213,383	99,840
Unrealized gains (losses) on investments	(24,239)	(48,838)	—	(73,077)	150,825
	<b>173,914</b>	<b>91,392</b>	<b>—</b>	<b>265,306</b>	<b>260,874</b>
<b>Expenses</b>					
Bank service charges	465	—	—	465	530
Custodian fees	4,321	—	—	4,321	4,026
Foreign exchange gain	2,170	—	—	2,170	(4,891)
Grants support	125,000	—	—	125,000	—
Harmonized Sales Tax expense	1,394	—	—	1,394	823
Marketing	6,850	—	—	6,850	720
Office expenses	1,709	—	—	1,709	1,615
Professional fees	13,557	—	—	13,557	9,000
Research scholarship program	—	60,362	—	60,362	19,890
Website	720	—	—	720	—
	<b>156,186</b>	<b>60,362</b>	<b>—</b>	<b>216,548</b>	<b>31,713</b>
Excess of revenue over expenses for the year	17,728	31,030	—	48,758	229,161
Fund balances, beginning of year	600,440	629,730	712,951	1,943,121	1,713,960
Inter-fund transfers	(82,133)	16,788	65,345	—	—
<b>Fund balances, end of year</b>	<b>536,035</b>	<b>677,548</b>	<b>778,296</b>	<b>1,991,879</b>	<b>1,943,121</b>

The accompanying notes are an integral part of the financial statements.

## Canadian Foundation for Governance Research

### Statement of cash flows

Year ended June 30, 2018

	2018	2017
	\$	\$ (Restated - Note 2)
<b>Operating activities</b>		
Excess of revenues over expenses for the year	<b>48,758</b>	229,161
Adjustments to reconcile excess to net cash provided by operating activities		
Unrealized losses (gains) on investments	<b>73,077</b>	(150,825)
Gain on disposal of investments	—	(42,230)
Changes in non-cash working capital balances		
Harmonized Sales Tax and other receivables	<b>(1,401)</b>	102,683
Prepaid expenses	—	500
Accounts payable and accrued liabilities	<b>3,658</b>	(100,998)
	<b>124,092</b>	38,291
<b>Investing activities</b>		
Purchase of investments	<b>(136,439)</b>	(356,615)
Proceeds on disposition of investments	<b>145,163</b>	253,580
	<b>8,724</b>	(103,035)
Increase (decrease) in cash and cash equivalents during the year	<b>132,816</b>	(64,744)
Cash and cash equivalents, beginning of year	<b>89,262</b>	154,006
<b>Cash and cash equivalents, end of year</b>	<b>222,078</b>	89,262

The accompanying notes are an integral part of the financial statements.

## 1. Significant accounting policies

(a) *Nature and purpose of operations*

The Canadian Foundation for Governance Research (the "Foundation") is incorporated under the Canada Corporations Act as a public foundation and is exempt from income taxes under Section 149(1)(l) of the Income Tax Act. Accordingly, there is no provision for income taxes in these financial statements. The Foundation has a mission to support research in corporate governance through the Bertram Scholarship and other activities to meet its objectives.

(b) *Basis of accounting*

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

(c) *Fund accounting*

Revenues and expenses related to operating activities are reported in the Operating Fund.

Revenues and expenses related to the Bertram Scholarships are reported in the Research Awards Fund.

Endowment contributions are reported in the Endowment Fund. Investment income earned on resources of the Endowment Fund is externally restricted and is reported in the Research Awards Fund.

(d) *Cash and cash equivalents*

Cash and cash equivalents consists of cash on hand and investments in money market instruments which are cashable or have original maturities of three months or less.

(e) *Capital assets*

Capital assets are recorded as expenses in the year acquired.

(f) *Donated services*

Due to the difficulty in determining the fair value of donated services provided to the Foundation, donated services have not been recognized in the financial statements.

(g) *Financial instruments*

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market and fixed income instruments are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost, or at amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at cost or amortized cost.

## 1. Significant accounting policies (continued)

### (h) Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions, whereby externally restricted contributions are recognized in the fund corresponding to the purpose for which they were contributed. Unrestricted contributions are recognized as revenue in the Operating Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured (Note 2).

Restricted investment income is recognized as revenue of the appropriate fund when earned. Unrestricted investment income is recognized as revenue in the Operating Fund when earned.

### (i) Foreign exchange

Foreign currency accounts are translated to Canadian dollars as follows:

At the transaction date, each asset, liability, revenue or expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the yearend date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in the he statement of operations and changes in fund balances.

### (j) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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 revenue and expenses during the reporting periods. Actual results could differ from management's best estimates as additional information becomes available in the future.

## 2. Prior period adjustment

Management has restated the prior year's financial statements to reflect a change in the Foundation's revenue recognition accounting policy from the deferral method to the restricted fund method of accounting for contributions and investment income.

The impact of this restatement on the comparative amounts presented in the financial statements is as follows:

	\$
Elimination of deferred contributions	(375,737)
Increase in Research Awards Fund balance, beginning of year	223,526
Increase in investment income	41,930
Increase in unrealized gains (losses) on investments	100,072
Increase in research sponsorship revenue	10,209

## 3. Cash and cash equivalents

Included in cash and cash equivalents is \$160,362 (\$47,098 in 2017) of money market funds bearing interest of 1.35% (1.5% in 2017) per annum.

**4. Long-term investments**

Long-term investments represent investments in equities quoted in an active market in accordance with the Foundation's investment policy and therefore are intended to have a perpetual time horizon.

**5. Due (to) from other funds**

Due (to) from other funds balances are non-interest bearing and have no specific terms of repayment.

**6. Related party transactions**

During the year, the Foundation did not receive any donations (\$Nil in 2017) to the Operating Fund from the Institute of Corporate Directors ("ICD"), a not-for-profit organization that is the sole member of the Foundation. The Foundation did donate \$125,000 (\$Nil in 2017) to ICD for support of the not-for-profit program (NFP).

No amount was payable to the ICD as at year end (\$Nil in 2017).

During the year, the ICD provided management services which included bookkeeping and office space to the Foundation, the value of which cannot be reasonably estimated and therefore has not been reflected in the accounts of the Foundation.

**7. Endowment fund and externally restricted research awards fund**

The Foundation receives endowment contributions, the investment income from which will be used to support research on governance through the Bertram Scholarship. In 2018, the Foundation did not receive any endowment contributions (\$Nil in 2017).

The Foundation has agreed to support the Bertram Scholarship by contributing an amount from the Operating Fund equal to the investment income earned on the Endowment Fund to the Research Awards Fund. During the year, the Foundation transferred \$26,826 (\$37,051 in 2017) between the Operating Fund and the Research Awards Fund for this purpose.

**8. Financial instrument risk exposure and management**

In common with other organizations, the Foundation is exposed to risks that arise from its use of financial instruments. This note describes the Foundation's objectives, policies and processes for managing those risks and the methods used to measure them.

There have been no substantive changes in the Foundation's exposure to financial instrument risks, its objectives, policies and processes for managing these risks or the methods used to measure them from previous periods unless otherwise stated in these financial statements. Management has established policies and procedures to manage risks related to financial instruments, with the objective of minimizing any adverse effects on financial performance.

## 8. Financial instrument risk exposure and management (continued)

However, in management's opinion the Foundation is not exposed to significant credit risk, market risk and liquidity risk arising from its financial instruments. A brief description of management's assessments of these risks is as follows:

(a) *General objectives, policies and processes*

The Board and management are responsible for the determination of the Foundation's risk management objectives and policies and designing operating processes that ensure the effective implementation of the objectives and policies. In general, the Foundation measures and monitors risk through the preparation and review of monthly financial reports by management and quarterly financial reports by the Board.

(b) *Credit risk*

Financial instruments potentially exposed to credit risk include cash and cash equivalents, investments and HST and other receivables. Management considers its exposure to credit risk over cash and cash equivalents and investments to be remote as the Foundation holds cash deposits, money market funds and investments at a reputable financial institution in Canada. Endowment receivables include funding from donors through the Endowment Fund contributions. The Foundation monitors the funding received and ensures the amounts are in accordance with the Endowment Fund agreement.

(c) *Investment management risk*

Risk management relates to the understanding and active management of risk associated with all areas of the business and the associated operating environment. Investments are primarily exposed to market, interest and currency risk. The Foundation mitigates these risks with an investment policy which establishes target asset mix and diversification of investments within investment categories and set limits on exposure of individual investments. The Foundation's investment policy includes a mix of cash, fixed income and equities.

(d) *Market and interest risk*

The risk associated with the investments are the risk associated with the securities in which the funds are invested. The value of equity securities changes with the stock market conditions, which are affected by general economic and market conditions and the developments within the specific companies which issue the securities. The value of money markets or fixed income securities will generally rise if interest rates fall and fall if interest rates rise. The Foundation's investment policy is to invest in a mix of cash, fixed income and equities and is predominately invested in equity securities. Based on the investment policy, the Foundation has invested in companies that have strong performance, are stable and well known in diverse industries. The investment policy is designed to limit exposure and concentration while achieving optimal return within reasonable risk tolerances. The Foundation is in compliance with that policy as at June 30, 2018.

(e) *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation transacts in foreign currencies which results in exposure to foreign currency fluctuations as the Foundation does not use derivative instruments to mitigate foreign exchange risk. The Foundation is exposed to this risk through its cash and cash equivalents and investments. Included in cash and cash equivalents and investments are approximately \$46,193 (\$26,857 in 2017) and \$442,337 (\$414,449 in 2017) respectively of foreign currency amounts denominated in USD.

**8. Financial instrument risk exposure and management (continued)**

*(f) Liquidity risk*

Liquidity risk is the risk the Foundation will not be able to meet its financial obligations as they fall due. The Foundation's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when due by maintaining sufficient cash levels, enabled by the collection of contributions, and investing a portion of the investments in cashable money market funds.

**9. Research scholarship program**

The Foundation selected four recipients for the Bertram Scholarship for a total of \$60,000, which has been disbursed during the year. The funding agreements were signed by the University of the recipients which will administer the funds to the recipients.

**10. Comparative amounts**

Certain prior year comparative amounts have been reclassified to conform with the current year's financial statement presentation.