

---

Financial statements of  
Canadian Foundation for Governance  
Research

June 30, 2021

---

---

Independent Auditor's Report	1-2
Statement of financial position	3
Statement of operations and changes in fund balances	4
Statement of cash flows	5
Notes to the financial statements	6-10

---

## Independent Auditor's Report

To the Member of  
Canadian Foundation for Governance Research

### Opinion

We have audited the financial statements of Canadian Foundation for Governance Research (the "Foundation"), which comprise the statement of financial position as at June 30, 2021, and the statements of operations and changes in fund balances, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at June 30, 2021, 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.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation 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 the 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation'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 GAAS 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 these financial statements.

As part of an audit in accordance with Canadian GAAS, 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 Foundation'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 Foundation'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 Foundation 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.

We 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.

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
September 15, 2021

# Canadian Foundation for Governance Research

## Statement of financial position

As at June 30, 2021

	Notes	Operating Fund	Research Awards Fund	Endowment Fund	2021	2020
		\$	\$	\$	\$	\$
<b>Assets</b>						
Current assets						
Cash and cash equivalents	2	30,238	38,293	45,409	113,940	114,067
Due from other Funds	4	29,150	149,617	—	178,767	14,051
Harmonized Sales Tax receivable		1,606	—	—	1,606	1,471
		<b>60,994</b>	<b>187,910</b>	<b>45,409</b>	<b>294,313</b>	129,589
Long-term investments	3	345,664	1,030,126	911,654	2,287,444	1,868,572
		<b>406,658</b>	<b>1,218,036</b>	<b>957,063</b>	<b>2,581,757</b>	1,998,161
<b>Liabilities</b>						
Accounts payable and accrued liabilities		14,512	—	—	14,512	12,327
Due to other Funds	4	—	—	178,767	178,767	14,051
		<b>14,512</b>	<b>—</b>	<b>178,767</b>	<b>193,279</b>	26,378
<b>Fund balances</b>						
Externally restricted	6	—	1,218,036	778,296	1,996,332	1,615,369
Unrestricted		392,146	—	—	392,146	356,414
		<b>406,658</b>	<b>1,218,036</b>	<b>957,063</b>	<b>2,581,757</b>	1,998,161

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, 2021

	Notes	Operating Fund	Research Awards Fund	Endowment Fund	2021	2020
		\$	\$	\$	\$	\$
<b>Revenue</b>						
Research sponsorship		—	—	—	—	125,000
Investment income	6	26,652	42,905	—	69,557	204,551
Change in unrealized gains on investments	6	46,474	373,774	—	420,248	(257,830)
		<b>73,126</b>	<b>416,679</b>	<b>—</b>	<b>489,805</b>	71,721
<b>Expenses</b>						
Bank service charges		127	—	—	127	302
Custodian fees		9,371	—	—	9,371	9,221
Foreign exchange (gain) loss		(10,294)	—	—	(10,294)	—
Grants support	5	—	—	—	—	125,000
Harmonized Sales Tax expense		861	—	—	861	857
Office expenses		97	—	—	97	95
Professional fees		9,817	—	—	9,817	10,829
Research scholarship program	8	—	62,368	—	62,368	60,365
Website		763	—	—	763	540
		<b>10,742</b>	<b>62,368</b>	<b>—</b>	<b>73,110</b>	207,209
Excess (deficiency) of revenue over expenses for the year		<b>62,384</b>	<b>354,311</b>	<b>—</b>	<b>416,695</b>	(135,488)
Fund balances, beginning of year		<b>356,414</b>	<b>837,073</b>	<b>778,296</b>	<b>1,971,783</b>	2,107,271
Inter-fund transfers	6	(26,652)	26,652	—	—	—
<b>Fund balances, end of year</b>		<b>392,146</b>	<b>1,218,036</b>	<b>778,296</b>	<b>2,388,478</b>	1,971,783

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

## Canadian Foundation for Governance Research

### Statement of cash flows

Year ended June 30, 2021

	2021	2020
	\$	\$
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses for the year	<b>416,695</b>	(135,488)
Adjustments to reconcile excess to net cash (used by) provided by operating activities		
Change in unrealized gains on investments	<b>(420,248)</b>	257,830
Changes in non-cash working capital balances		
Harmonized Sales Tax receivable	<b>(135)</b>	707
Accounts payable and accrued liabilities	<b>2,185</b>	(993)
	<b>(1,503)</b>	122,056
<b>Investing activities</b>		
Purchase of investments	<b>(59,534)</b>	(105,203)
Net proceeds on disposition of investments	<b>60,910</b>	34,698
	<b>1,376</b>	(70,505)
(Decrease) increase in cash and cash equivalents during the year	<b>(127)</b>	51,551
Cash and cash equivalents, beginning of year	<b>114,067</b>	62,516
<b>Cash and cash equivalents, end of year</b>	<b>113,940</b>	114,067

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

# Canadian Foundation for Governance Research

## Notes to financial statements

June 30, 2021

---

### 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 consist of cash on hand and investments in interest bearing money market funds.

(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.

(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.

**1. Significant accounting policies (continued)**

*(h) Revenue recognition (continued)*

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 year end 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 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. Cash and cash equivalents**

Included in cash and cash equivalents is \$83,268 (\$90,470 in 2020) of money market funds bearing interest of 0.2% (0.6% in 2020) per annum.

**3. 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.

The composition of long-term investments as at year end are as follows:

	2021		2020	
	Cost \$	Fair value \$	Cost \$	Fair value \$
Canadian equities	<b>1,146,420</b>	<b>1,526,469</b>	1,124,298	1,184,744
US equities	<b>486,299</b>	<b>680,075</b>	512,529	602,411
International equities	<b>69,438</b>	<b>77,689</b>	72,047	78,314
	<b>1,702,157</b>	<b>2,284,233</b>	1,708,874	1,865,469
Accrued income	<b>3,211</b>	<b>3,211</b>	3,103	3,103
Total long-term investments	<b>1,705,368</b>	<b>2,287,444</b>	1,711,977	1,868,572

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

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

**5. Related party transactions**

During the year, the Foundation did not receive any donations (nil in 2020) 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 transferred \$nil (\$125,000 in 2020) to ICD for support of the not-for-profit program.

As at June 30, 2021, \$1,817 (nil as at June 30, 2020) was payable to the ICD.

During the year, the ICD provided management services that 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.

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

The investment income from endowment contributions is to be used to support research on governance through the Bertram Scholarship. In 2021, the Foundation did not receive any endowment contributions (nil in 2020).

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. For 2021, the amount was \$26,652 (\$55,307 in 2020).

**7. 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.

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.

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

*(b) Credit risk*

Financial instruments potentially exposed to credit risk include cash and cash equivalents, and long-term investments. Management considers its exposure to credit risk over cash and cash equivalents and long-term investments to be remote as the Foundation holds cash deposits, money market funds and long-term investments at a reputable financial institution in Canada.

*(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, 2021.

*(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 \$63,569 (\$71,530 in 2020) and \$757,764 (\$680,725 in 2020) respectively of foreign currency amounts denominated in USD.

*(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.

## **Canadian Foundation for Governance Research**

### **Notes to financial statements**

June 30, 2021

---

#### **8. Research scholarship program**

The Foundation selected four recipients for the Bertram Scholarships for a total of \$60,000 (\$60,000 in 2020), which has been disbursed during the year. The funding agreements with the Foundation were signed by the University of the recipients which will administer the funds to the recipients.

#### **9. Significant event**

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time. While the short-term impact has been immaterial, it is not possible to reliably estimate the long-term impact that the length and severity of these developments will have on the financial position, results of operations and cash flows of the Foundation in future periods.