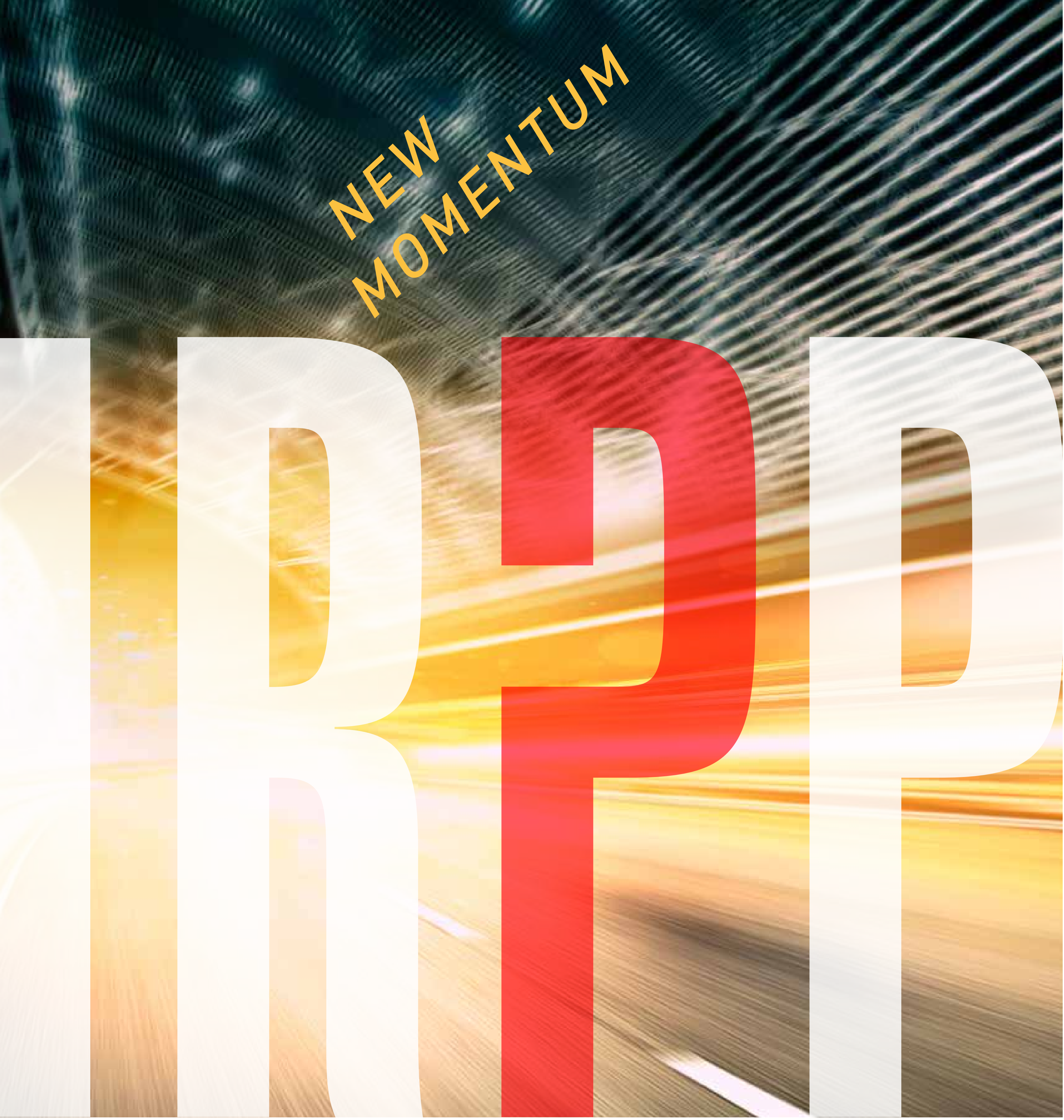

IRPP

Annual Report
2017-18

MISSION

Founded in 1972, the Institute for Research on Public Policy is an independent, national, bilingual, not-for-profit organization. The IRPP seeks to improve public policy in Canada by generating research, providing insight and informing debate on current and emerging policy issues facing Canadians and their governments.

The Institute's independence is assured by an endowment fund, to which federal and provincial governments and the private sector contributed in the early 1970s.

BOARD OF DIRECTORS

Chair: GRAHAM W.S. SCOTT, Toronto
Vice-Chair: A. ANNE McLELLAN, Edmonton
President: GRAHAM FOX, Montreal

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JOCK FINLAYSON, Vancouver
LEA B. HANSEN, Toronto
GEORGE E. LAFOND, Victoria
NANCY OLEWILER, Vancouver
JOHN PARISELLA, Montreal
ELIZABETH ROSCOE, Ottawa
KIM WEST, Nova Scotia

FINANCIAL HIGHLIGHTS

Year ended March 31, 2018 (thousands of dollars)

	2018	**2017**	**2016**
Operational budget	2,492	2,450	2,410
Expenses	2,370	2,303	2,283
Operational budget over/under expenses	122	147	127

2017-2018 IN REVIEW

11
Publications

SOCIAL NETWORKS

REFERENCES TO RESEARCH

MEDIA MENTIONS

WEBSITE ACTIVITY

1,303,020
Page views

PUBLIC ENGAGEMENT BY IRPP EXPERTS

7
Public presentations

17
Events

566
Policy Options articles

11,717
Twitter followers

1,682
Facebook likes

429
Academic journal articles

60
Federal government publications

1,597
Stories

8
Op-eds

681,896
Users

13,294
Downloads

1
Stakeholder consultations

12
Parliamentary activity

MESSAGE FROM THE CHAIR OF THE BOARD OF DIRECTORS

GRAHAM W.S. SCOTT

This is my last message as chair of the IRPP. I will be stepping down in December 2018 after having served the Institute for 13 years, first as a member representing a compatible organization, then as director, vice-chair and, for the last six years, chair. Through those years, I have worked with three presidents, many very dedicated fellow directors and a dynamic and loyal staff. I have seen the Institute through good times and harder times, and through it all I've seen it stay true to its core mission and its commitments to integrity, collaboration, research excellence and independence.

The past year has been one of many successes, and the Institute is, in my view, at the top of its game. Our research programs are timely and more relevant than ever to the policy challenges of today. The *Policy Options* online forum is solidly established and now attracts more than one million yearly visitors. And the federal government has just granted the IRPP a $10-million endowment to create a Centre of Excellence on the Canadian Federation.

In terms of the Board, Elizabeth Roscoe joined us in December 2017, and Cassie Doyle will begin in June 2018. Elizabeth is Senior Vice President and National Practice Leader, Public Affairs, with Hill and Knowlton Strategies. Cassie is the former CEO of the Canadian International Resources and Development Institute. Both bring a depth of experience in dealing with governments. On behalf of the Board, I extend them a very warm welcome.

Also this year, Ali Suleman, Vice President and Treasurer at Hydro One, and Monika Skiba, former Head of the Canadian Fundamental Equity team at Manulife, joined the ranks of our Investment Committee as non-director members, in December and March respectively. Both hit the ground running and have already added tremendous value to the work of the committee. Regretfully, in October, former non-director member of the Investment Committee Bob Luba passed away. Our heartfelt condolences go out to his wife and family. In February, we were forced to accept Alain Dubuc's resignation. Alain had served the IRPP since 2011. Throughout his years on the Board he was an excellent contributor and he is missed.

It is with pleasure and great pride that I will pass the torch to Anne McLellan. I am confident that under her leadership the Institute will continue to embrace opportunities, rise to challenges and reach new heights. I wish her, the Board, the Institute and its staff continued successes with all that lies ahead.

MESSAGE FROM THE PRESIDENT

GRAHAM FOX

This has been an exciting and eventful year for the IRPP: new research programs, new colleagues and new resources to support our work. For the first time since its creation 46 years ago, a new capital contribution will be made to the IRPP endowment. Two years ago, the Institute launched a new research program to better understand the dynamics of the Canadian federation. The scope and ambition of that work will be greatly enhanced in coming years as a result of the Government of Canada's announcement in Budget 2018 of a $10-million contribution to create a Centre of Excellence on the Canadian Federation, a permanent research body housed at the Institute. Headlines remind us every day that the federal fact of Canada shapes our policy responses to national challenges. With this new Centre of Excellence, the IRPP will be better placed than ever to help guide those discussions.

In addition, two of our books, *Income Inequality: The Canadian Story* and *Redesigning Canadian Trade Policies for New Global Realities*, were awarded the distinguished Doug Purvis Memorial Prize for 2017 and 2018, respectively, by the Canadian Economics Association in recognition for "highly significant, written contribution to Canadian economic policy."

This year the IRPP welcomed Colin Busby and Natalia Mishagina as research directors. Colin Busby brings to the IRPP over a decade of experience directing and producing award-winning research on issues that affect everyday Canadians, and valuable insights on the complex policy issues facing governments. For over 10 years, Natalia Mishagina has conducted empirical research and published numerous leading articles and reports on STEM workforce, health care, immigration, employment insurance and education, and provided strategic advice to governments in Canada and abroad. She brings to the Institute a deep understanding of the interactions between economics and social policy, which will help guide our research moving forward.

We bid farewell to research director Stephen Tapp. We thank him for his invaluable contribution in steering our work on international trade and global commerce and bringing forward new, evidence-based knowledge and insights on the policy challenges that Canada faces as it seeks to engage more effectively in the global economy. We also said farewell to communications assistant Alex Shadeed, whose work and commitment we much appreciated. We wish them both every success in their new endeavours.

We owe our success to the hard work of our talented staff and to the many leaders in government, academia and business who support our work. I would like to thank them for their dedication to the Institute's mission. Looking forward to 2018-19, I anticipate an exciting year of meaningful work, one in which the IRPP will continue to produce high-quality research, provide insight on the issues that dominate the policy agenda and inform debate on the most promising way forward.

RESEARCH

FRANCE ST-HILAIRE
Vice-President, Research

Research Directors
COLIN BUSBY
JOANNE CASTONGUAY
NATALIA MISHAGINA
F. LESLIE SEIDLE

The Institute continues to be at the heart of Canada's most important policy conversations in areas such as innovation, Canadian federalism, income inequality, global commerce, population aging and pension reform. To carry out this mission, we publish peer-reviewed research; act as a convenor of policy debates through conferences, round tables and panel discussions; and we collaborate with researchers in academia and government to identify and examine the major policy challenges on the horizon.

A YEAR OF TRANSITION: SOME CONTINUITY AND NEW DIRECTIONS

This past year has been one of transition for the research team at the IRPP. It was marked by the departure of Stephen Tapp and the arrival of two new colleagues: Colin Busby and Natalia Mishagina. Both bring remarkable expertise and enthusiasm to the work we do, as well as the fresh perspectives and ideas that are essential in keeping our research agenda timely and relevant.

Colin is overseeing a number of important projects on the challenging and sensitive issues surrounding end-of-life care and helping round off our work under the *Faces of Aging* program. He is also spearheading our efforts to produce new research and analysis on the adequacy and effectiveness of the social safety net for working age adults. Our work on income inequality showed that the greatly diminished redistributive capacity of the tax-and-transfer system in Canada following public spending cuts in the mid-1990s played an important role in rising inequality trends. Yet, Employment Insurance and Social Assistance, the two main pillars of the Canadian income security system remain essentially unchanged to this day. We will examine how these programs can be revamped and better integrated with other income support programs to better respond to the workplace impacts of globalization and technological change.

As Canadian governments pursue increased trade and innovation to promote economic growth, they face inevitable tradeoffs between growth on the one hand and risks of worker displacement and increased job/wage polarization on the other. Despite efforts to make trade more progressive and innovation more inclusive, achieving inclusive growth (the government's stated objective) will likely depend on training, education and income support policies doing the heavy lifting. While everyone recognizes the importance of skills and learning in helping workers adjust to technological change, it is not clear that Canada's current adult education and training system is up to the task. This question will be the focus of a new IRPP research program under Natalia's direction. We will examine both the demand and supply aspects of adult learning to identify the gaps in the current system and the policy changes required to have a system that is more flexible, responsive and effective. This work will help inform the skills component of the federal government's Innovation and Skills Agenda.

We also launched a new research program that examines the ongoing disconnect between Canada's notable achievements in scientific research and its lacklustre performance in innovation. Entitled *Unlocking Demand for Innovation*, and directed by Joanne Castonguay, this program seeks to improve our understanding of the innovation process in the Canadian economy from a demand-pull, firm-centred perspective and the implications for innovation policy. The past 12 months were devoted to developing a policy-oriented research agenda through consultations with experts and stakeholders, and planning a major policy conference (held in May 2018) to examine Canada's persistent innovation challenges, evolving policy responses and research gaps. We also commissioned an initial series of policy papers on key issues related to the government's agenda, which will be published over the coming months.

INTERNATIONAL TRADE AND GLOBAL COMMERCE

The publication of *Redesigning Canadian Trade Policies for New Global Realities* this year marked the completion of a major research initiative on International Trade and Global Commerce that we embarked on in 2013. Edited by Stephen Tapp, Ari Van Assche and Robert Wolfe, this volume examines the implications of changing global trade realities for Canada and explores appropriate responses. Contributors examine the new business models driving the more fragmented and global nature of production and the shifts in economic activity toward emerging markets, and take an in-depth, firm-level look at Canada's trade and its integration in global value chains. As the editors conclude, Canada is currently at a crossroads: Our economic prosperity depends on international trade and investment, but new global realities and rising anti-trade sentiments are calling into question long-standing policy goals and approaches. In response, they propose a detailed road map for more inclusive trade policy.

The IRPP hosted book-launching events in Ottawa and Montreal. The first event featured special guest John Manley and a lively panel discussion with Ailish Campbell, Canada's Trade Commissioner, and Madelaine Drohan, Canada correspondent for *The Economist*. In Montreal, Michèle Boisvert of Caisse de dépôt et placement du Québec and Pierre Marc Johnson of Lavery de Montréal joined co-editor Ari Van Assche for a spirited discussion on the priorities and challenges for Quebec in global trade.

We want to thank the volume's editors and contributors for this important and innovative body of work on Canadian trade policy and congratulate them on receiving the prestigious Doug Purvis Memorial Prize.

CANADA'S CHANGING FEDERAL COMMUNITY

This ongoing research program focuses on the evolution of the Canadian federation as a political system and as a community that seeks to accommodate various forms of diversity. Directed by Leslie Seidle, it examines intergovernmental relations and federal institutions, and the role that shared values and identities play in the development of public policy. The program also brings a particular focus on Indigenous governance and the changing relations between Indigenous communities and non-Indigenous governments. Our work this past year touched on some often-controversial topics related to the functioning of the federation.

In *Indigenous Consent and Natural Resource Extraction: Foundations for a Made-in-Canada Approach*, authors Martin Papillon and Thierry Rodon make the case for a mutually beneficial model for resource development approvals in Canada. The authors argue that the current focus on whether Indigenous peoples have a veto on resource extraction projects obscures more than it enlightens the debate. A new approach is needed: one that commits governments to recognizing Indigenous peoples' inherent jurisdiction and fully engages them in decision-making. Their work was discussed by media outlets from coast to coast, including APTN National News, which reaches more than 5.5 million Canadians.

Attempts to accommodate Canada's regional differences are ongoing and at times quite challenging. On the basis of an original survey conducted in five regions, Éric Montpetit, Er-

ick Lachapelle and Simon Kiss find in *Does Canadian Federalism Amplify Policy Disagreements? Values, Regions and Policy Preferences* that, contrary to common perceptions, Canadians' differences over values have a considerably greater effect on their public policy preferences than does the region where they live. In authors' view, it may be more constructive for policy to be designed, framed and promoted to appeal primarily to values rather than targeting regions.

Turning to Quebec, Jean-Herman Guay analyzes in the study *Sovereignty at an Impasse: The Highs and Lows of Quebec Nationalism* why support for sovereignty is now at an all-time low. He demonstrates that the sovereignty movement has lost ground partly because of the province's economic, social and cultural progress. This helps explain why many Quebecers are ambivalent about their situation within Canada, because when the pros and cons are weighed, the scale never tips clearly to one side.

FACES OF AGING

The *Faces of Aging* program continues to examine the complex social and economic challenges that an aging population presents for governments at all levels. This year the IRPP published two important studies in this area that generated considerable attention. In *Unfinished Business: Pension Reform in Canada*, Bob Baldwin and Richard Shillington show that newly enhanced Canada Pension Plan benefits will be of little value to low-income earners because most of it will be taxed back through reductions in other income-tested benefits such as the Guaranteed Income Supplement. The authors propose ways to reduce the negative interaction among retirement income programs and argue for broader reforms to make the system more resilient to changing demographics and labour market trends. Their research appeared in 83 news stories reaching over 11.4 million Canadians.

The new Canadian legislation on medical assistance in dying has given rise to important debates and even some uncertainty regarding the interpretation of some key phrases in the legislation. In *Interpreting Canada's Medical Assistance in Dying Legislation*, authors Jocelyn Downie and Jennifer Chandler highlight how this uncertainty can put Canadians at risk. Following an extensive process of consultation and deliberation with stakeholders, they go on to propose interpretations of six key phrases in the current law that in their view urgently need clarification. The report was discussed by media outlets across Canada, reaching over 5.3 million Canadians.

PUBLICATIONS

Redesigning Canadian Trade Policies for New Global Realities
Stephen Tapp, Ari Van Assche and Robert Wolfe
April 2017

Les politiques commerciales du Canada au Carrefour des nouvelles réalités mondiales
Stephen Tapp, Ari Van Assche and Robert Wolfe
April 2017

Unfinished Business: Pension Reform in Canada
Bob Baldwin and Richard Shillington
June 14, 2017

Indigenous Consent and Natural Resource Extraction: Foundations for a Made-in-Canada Approach
Martin Papillon and Thierry Rodon
July 4, 2017

Does Canadian Federalism Amplify Policy Disagreements? Values, Regions and Policy Preferences
Éric Montpetit, Erick Lachapelle and Simon Kiss
September 12, 2017

Sovereignty at an Impasse: The Highs and Lows of Quebec Nationalism
Jean-Herman Guay
October 24, 2017

L'impasse souverainiste : les hauts et les bas du nationalisme québécois
Jean-Herman Guay
October 24, 2017

A Federation Within a Federation? Devolution and Indigenous Government in the Northwest Territories
Jerald Sabin
November 21, 2017

The Emerging Policy Relationship Between Canada and the Métis Nation
Janique Dubois
January 18, 2018

Interpreting Canada's Medical Assistance in Dying Legislation
Jocelyn Downie and Jennifer Chandler
March 1, 2018

British Columbia-Indigenous Nation Agreements: Lessons for Reconciliation?
Michael Hudson
March 27, 2018

EVENTS

Working lunch: Understanding the *Indian Act*
April 28, 2017, Ottawa

Working lunch: Consultation for Innovation Research Project
May 4, 2017, Toronto

Book launch: Canadian Trade Policy at a Risky Crossroads: Navigating New Global Realities
May 16, 2017, Ottawa

Webinar: Improving Prescription Drug Safety for Canadian Seniors
June 9, 2017

Working lunch: The Naylor Report Under the Microscope
September 19, 2017, Ottawa

Round table: Indigenous Consent and Natural Resource Extraction
October 2, 2017, Vancouver

Panel discussion: Les priorités et les défis du Québec en matière de commerce international
October 5, 2017, Montreal

Webinar: Does Canadian Federalism Amplify Policy Disagreements? Values, Regions and Policy Preferences
November 23, 2017

Webinar: How to Write an Op-Ed
December 5, 2017

Reception: Friends of IRPP
December 7, 2017, Montreal

Round table: Leaders Debates in Federal Elections
January 15-26, 2018, Halifax, Toronto, Winnipeg, Vancouver, Montreal

Working lunch: In Search of the Next Gig: A Snapshot of Precarious Work in Canada Today
January 25, 2018, Ottawa

Webinar: The Emerging Policy Relationship Between Canada and the Métis Nation
February 27, 2018

POLICY OPTIONS

JENNIFER DITCHBURN
Editor-in-Chief

The success of *Policy Options* depends heavily on the writers who generously share their insights in our pages. They are women and men from diverse walks of Canadian life – from academia to the private sector, from PhD students to staff of civil society organizations. One of those regular contributors, Professor Tim Caulfield, of the University of Alberta, was recognized with a 2017 Digital Publishing Award for his provocative pieces in *Policy Options*. The magazine was also delighted to receive two silver 2017 Canadian Online Publishing Awards for its podcast and for editor-in-chief Jennifer Ditchburn's columns.

The impact of the writing published in *Policy Options* manifests itself in different ways. Many of the articles lead to further media coverage and specific mention in major mainstream publications and broadcasts. Contributors share with us stories of being contacted by policy-makers and by other researchers after having their pieces appear in the magazine or following an interview on the *Policy Options* podcast.

The collaboration at the heart of *Policy Options* carries over into live events too. The magazine hosted a popular webinar featuring Ditchburn and the Evidence Network's Shannon Sampert titled "How to Write an Op-Ed." *Policy Options* partnered with Universities Canada to discuss the final report of the fundamental science review; and with CPA Canada to explore the issue of precarious work.

The magazine featured a number of special themes, including a look at how to break the *Indian Act*'s stubborn grasp; copyright policy; peacekeeping; and the ethical and social dimensions of AI. The *Policy Options* website now surpasses one million page views annually.

COMMUNICATIONS

SHIRLEY CARDENAS
Communications Coordinator

Changing consumption patterns, audience insight technologies and the skyrocketing adoption of smartphones are reshaping the way content is produced and published. Today users' habits are driving the need to break down content into smaller chunks. Looking ahead at these trends, we have enhanced the way we communicate our research – through tweets, photos, videos and infographics and relaunched the IRPP website with a mobile-friendly new look.

Our website now features a new media centre, which is home to our videos, podcasts, op-eds and news releases. We have also revamped the events section of the site and made it easier for people to register for our conferences, round tables and panel discussions.

The impact of all of this work is reflected in the broad increases we have seen in our reach. Over the past 12 months, the Institute work was discussed in 1,597 news stories reaching over 350,546,574 readers and viewers. Our website traffic increased by 25 percent this year, resulting in 1,303,020 page views and 13,294 downloads. In addition, our social media following grew dramatically with a 182 percent increase in LinkedIn followers, 47 percent increase in Facebook likes and a 31 percent increase in Twitter followers. Viewership of our videos and webinars also increased by 102 percent and podcasts by 60 percent.

REPORT OF THE INVESTMENT COMMITTEE

Chair LEA B. HANSEN / Members MICHAEL B. DECTER, GRAHAM W.S. SCOTT, MONIKA SKIBA, ALI SULEMAN, KIM WEST

The objective of the IRPP's Endowment Fund is to support the work of the Institute. The Investment Committee seeks to maintain the real value (after inflation) of the Fund so that it can continue to provide financial support to the Institute. The role of the Investment Committee is to advise the Board of Directors on the Institute's investment strategy; to consider and recommend the appropriate asset mix of the Endowment Fund; to select external investment managers and hold them accountable for their performance (both return and risk) in meeting the mandate objectives; and act as a resource for the Board of Directors of the IRPP on investment-related matters.

The Committee and the Board have always recognized that supporting the current operations of the Institute and protecting the real value of the Fund may be competing objectives. For this reason, through the years, the Institute has used different approaches and formulas to determine the amount released annually from the Endowment Fund to support the operations of the Institute. For example, beginning in 1987, the Board decided that rather than using the actual income generated by the Fund in any one year, the Institute would withdraw an amount equal to 8 percent of the average of the last three years of the Fund's capital value, measured at fiscal year-end. That amount was decreased to 5 percent by 1994, then raised to 5.5 percent for 1997-2000, and 6 percent for 2005-07.

Following the global financial crisis of 2008-09, the Board decided to again gradually reduce the rate of draw from the then 5 percent to the current 4 percent. At that same time, to further reduce the transmission of portfolio volatility onto the amount released annually from the Endowment Fund to support the operations, a modified Yale Formula was selected for the spending policy. This formula consists of taking 80 percent of the allowable spending in the prior fiscal year, increased by the rate of inflation (as measured by the Consumer Price Index) for the 12 months ending December 31; and 20 percent of the long-term spending rate applied to the four-quarter market average of the endowment for the period ending December 31 prior to the start of the current fiscal year.

In 2012, the decision was made to move away from balanced to specialty investment mandates and to change the asset mix allocation from 60 percent equities and 40 percent fixed income to 70 percent equities (consisting of 30 percent Canadian, 20 percent US and 20 percent EAFE) and 30 percent fixed income. To manage the equities portion of the portfolio, the Committee hired Burgundy Asset Management in January 2013. In June 2014, the Committee hired Phillips, Hager and North Investment Services to manage the fixed income portion, 25 percent of which is invested in commercial mortgages.

As the Committee continued to explore different options and strategies to increase the risk-adjusted long-term returns, it decided to invest approximately 10 percent of the fund in the Bentall Kennedy Prime Canadian Property Fund (which includes income-producing office, distribution and warehouse, retail and multi-family properties) over a year, beginning in April 2017 and finishing in January 2018. This shift reflects the Committee's view that bond returns are expected to remain low and its concerns about the potential for rising interest rates. As a result, the asset allocation is 70 percent equities, 20 percent bonds and 10 percent real estate.

For fiscal year 2017-18, the base draw from the Endowment Fund amounted to $1,727,923 — a modest increase over the previous year and almost 70 percent of operating costs. In addition, as a result of a decision made by the Board of Directors in December 2014, effective for three fiscal years and ending with this fiscal year, an additional $500,000 was drawn from the Fund as a temporary measure to allow management to focus on the long-term development of the Institute.

Equity markets continued to outperform bond markets, albeit with significantly lower rates of return compared with last year. As a result, the fund gained 3.4 percent in fiscal 2017-18, before investment fees and draw; and a –2.6 percent decrease, after fees and the draw for the year's operations.

Over the 46-year history of the IRPP, approximately $78 million has been provided by the Fund to the operations of the Institute; and the IRPP has been meeting its objective of maintaining the real value of the fund, as illustrated in the graph on page 18.

As of March 31, 2018, the Fund's combined market value amounted to $41,937,523. The current asset mix is reported in the table on the next page.

ENDOWMENT FUND — ASSET MIX

	$	%	Range %	Policy %
Canadian equities	11,447,462	27.3	25-35	30
US equities	9,149,830	21.8	15-25	20
Non-North American equities (EAFE)	8,951,906	21.3	15-25	20
Total equities	**29,549,198**	**70.5**	**60-80**	**70**
Enhanced total return bonds	6,128,235	14.6	-	-
Mortgages	2,139,795	5.1	-	-
Total fixed income	**8,268,030**	**19.7**	**15-25**	**20**
Real estate	4,120,295	9.8	7-13	10
Total	**41,937,523**	**100.0**		

ENDOWMENT FUND — HIGHLIGHTS

	Fiscal year				
	2018	2017	2016	2015	2014
Market value	$41,937,523	$43,071,421	$40,664,295	$42,965,969	$39,535,138
Return (before draw and fees)	3.4%	12.2%	0.7%	14.0%	17.8%
Return (after draw and fees)	–2.6%	5.9%	-5.4%	8.7%	11.6%
Spending (excludes fees)*	$2,228,923**	$2,218,346**	$2,216,765**	$1,713,855	$1,861,465**
Operating budget	$2,529,350	$2,489,927	$2,410,034	$2,266,242	$2,268,301
Endowment Fund contribution	68.4% 90.1%**	69.0% 89.1%**	71.2% 91.9%**	75.6%	77.7% 82.1%**

*The amount drawn from the EF for operations is calculated using a modified Yale Formula.
**Includes an additional draw from the EF as authorized by the Board of Directors.

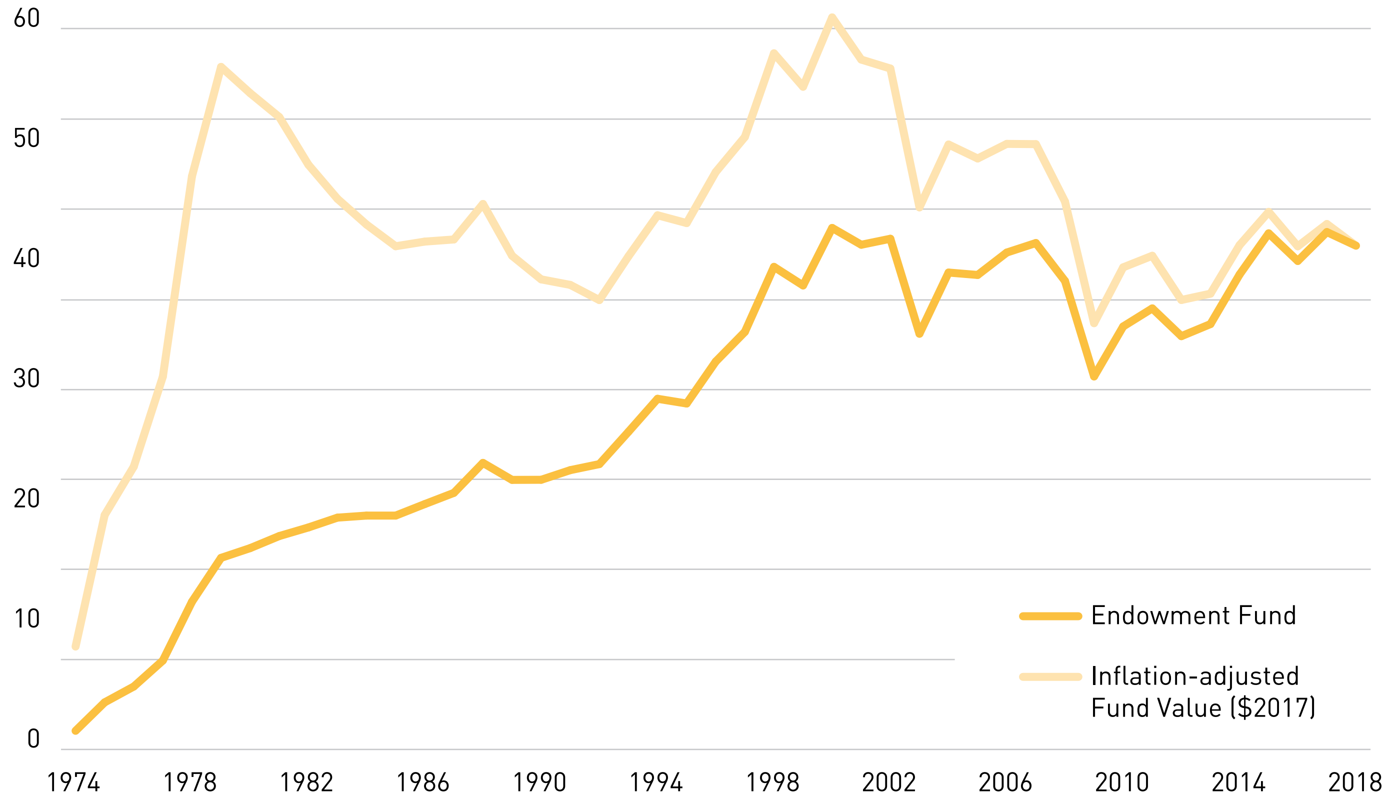
LONGER-RUN IRPP ENDOWMENT RETURNS

(compound annual average growth, after draw and fees)

Years	
1	–2.6%
2	1.6%
3	–0.8%
4	1.5%
5	3.4%
10	0.7%

VALUE OF THE IRPP ENDOWMENT, 1974-2018

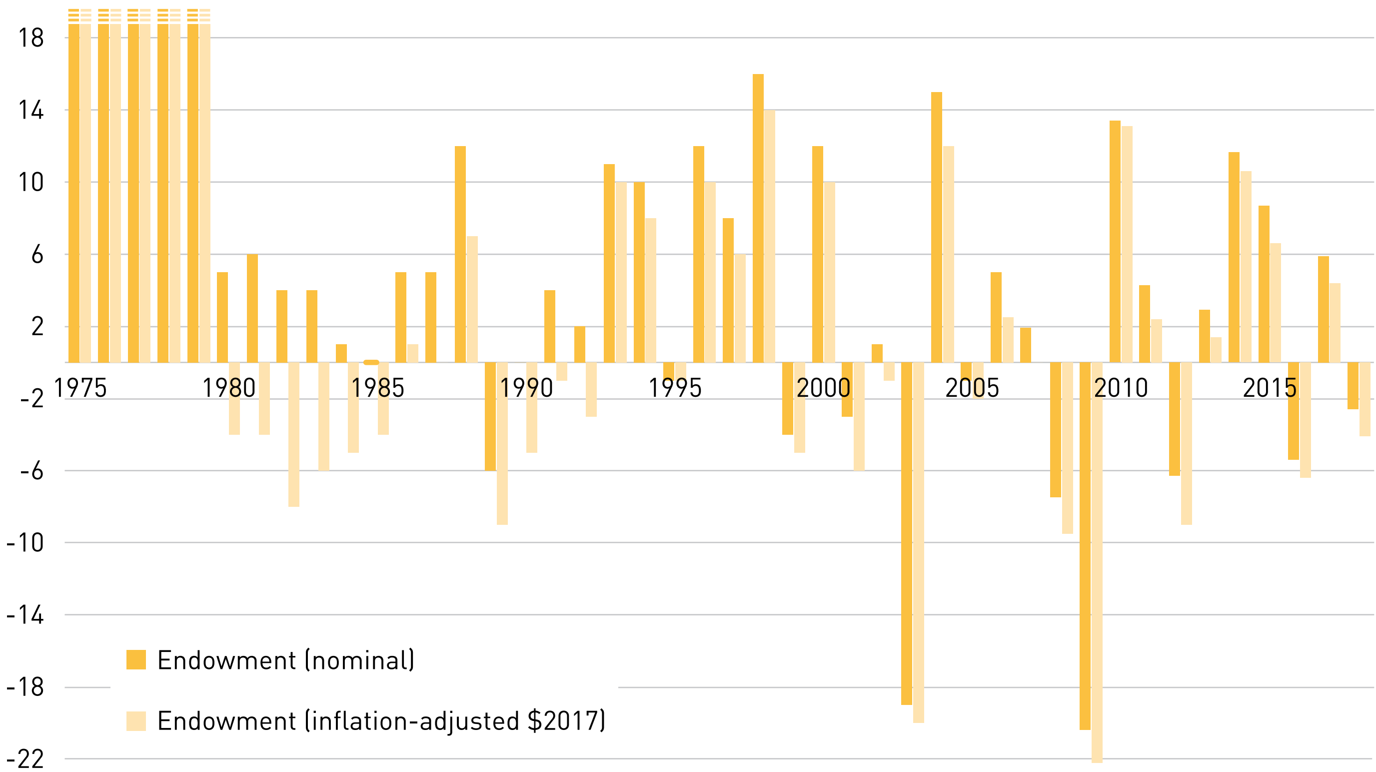
(millions of dollars)



Note: The exceptionally strong growth up to 1986 is due to the collection of commitments made to the endowment.

ANNUAL GROWTH OF THE IRPP ENDOWMENT, NOMINAL AND INFLATION-ADJUSTED, 1975-2018

(in percent)



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Institute for Research on Public Policy

We have audited the accompanying financial statements of Institute for Research on Public Policy, which comprise the balance sheet as at March 31, 2018, and the statements of revenues and expenditures, changes in net assets and 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 Institute for Research on Public Policy as at March 31, 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.

Nexia Friedman LLP[1]

Chartered Professional Accountants

Montreal, Quebec
June 5, 2018

[1] CPA auditor, CA, public accountancy permit No. A124456

BALANCE SHEET

As at March 31, 2018

	2018	2017
	$	$
ASSETS		
Current		
Cash	**305,108**	161,865
Accounts receivable (note 3)	**409,055**	391,716
Prepaid expenses	**38,364**	26,968
	752,527	580,549
Investments (note 4)	**41,900,054**	43,028,613
Tangible capital assets (note 5)	**18,989**	14,865
	42,671,570	43,624,027
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 7)	**157,529**	124,393
Deferred contributions (note 8)	**45,622**	45,622
	203,151	170,015
NET ASSETS		
Restricted for operations	**42,273,266**	43,234,380
Unrestricted	**195,153**	219,632
	42,468,419	43,454,012
	42,671,570	43,624,027

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

Approved on behalf of the Board

Director

Director

CHANGES IN NET ASSETS

For the year ended March 31, 2018

			2018	2017
	Restricted for operations	Unrestricted	Total	Total
	$		$	$
Balance, beginning of year	**43,234,380**	**219,632**	**43,454,012**	40,789,962
Excess (deficiency) of revenues over expenditures	**-**	**(985,593)**	**(985,593)**	2,664,050
Transfer (note 9)	**(961,114)**	**961,114**	**-**	-
Balance, end of year	**42,273,266**	**195,153**	**42,468,419**	43,454,012

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

REVENUES AND EXPENDITURES

For the year ended March 31, 2018

	2018	2017
	$	$
REVENUES		
Contributions	**89,169**	77,328
Publications and events	**10,713**	21,766
Policy Options events	**7,640**	4,315
Policy Options advertising	**10,671**	1,232
	118,193	104,641
EXPENDITURES		
General research and support services	**1,845,094**	1,797,877
Policy Options	**451,943**	416,394
Other publications	**58,920**	73,067
Interest and bank charges	**6,695**	6,260
Amortization of tangible capital assets	**7,943**	9,542
	2,370,595	2,303,140
Deficiency of revenue over expenditures from operations	**(2,252,402)**	(2,198,499)
Net investment income		
Changes in fair value of investments	**393,529**	3,724,229
Dividend income	**1,218,026**	1,449,008
Transaction costs	**(344,746)**	(310,688)
	1,266,809	4,862,549
Excess (deficiency) of revenues over expenditures	**(985,593)**	2,664,050

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

CASH FLOWS

For the year ended March 31, 2018

	2018	2017
	$	$
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	**(985,593)**	2,664,050
Items not affecting cash:		
Amortization of tangible capital assets	**7,943**	9,542
Changes in fair value of investments	**(228,662)**	(3,356,914)
	(1,206,312)	(683,322)
Net change in non-cash working capital items (note 11)	**4,401**	(127,521)
	(1,201,911)	(810,843)
INVESTING ACTIVITIES		
Acquisition of investments	**(5,492,338)**	(1,765,926)
Proceeds of disposal of investments	**6,849,559**	2,758,924
Acquisition of tangible capital assets	**(12,067)**	(10,622)
	1,345,154	982,376
Increase in cash and cash equivalents	**143,243**	171,533
Cash and cash equivalents, beginning of year	**161,865**	(9,668)
Cash and cash equivalents, end of year	**305,108**	161,865

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

1. PURPOSE OF THE ORGANIZATION

The Institute for Research on Public Policy is a non-profit organization whose mission is to improve public policy in Canada by generating research, providing insight and sparking debate that will contribute to the public policy decision-making process and strengthen the quality of the public policy decisions made by Canadian governments, citizens, institutions and organizations. The organization is incorporated under Part II of the *Canada Corporations Act* and is a registered charity under the Canadian *Income Tax Act* and Quebec *Taxation Act* and, accordingly, is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the *CICA Accounting Handbook*, hereafter referred to as "ASNPO," and include the following significant accounting policies:

Use of estimates

The preparation of financial statements in conformity with Canadian ASPNO requires management to make estimates and assumptions that affect the reported assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses for the periods covered. The main estimates relate to the useful life of the tangible capital assets. Actual results could differ from these estimates.

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are deferred and are recognized as revenue in the year in which the related expenses are incurred and are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Advertising revenue is recognized when persuasive evidence of an arrangement exists, services have been rendered and the price is fixed or reasonably assured, on a straight-line basis over the duration of the contract, once advertising is edited. The liability relating to the received but unearned portion of revenues is recognized in the balance sheet as sponsorship revenue collected in advance.

Publications and events revenue are recognized when persuasive evidence of an arrangement exists, merchandise is sold, services have been rendered and the price is fixed or reasonably assured. The liability relating to the received but unearned portion of revenues is recognized in the balance sheet as publications and events revenue collected in advance.

Other revenue is recognized when persuasive evidence of an arrangement exists, title has passed or services have been rendered, the price is fixed or reasonably assured and is earned.

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting.

Interest income is recognized on a time apportionment basis, dividend income is recognized as of the ex-dividend date and changes in fair value are recognized when they occur.

The Organization has elected to include in changes in fair value of investments interest income (including amortization of bond investment premiums and discounts) and the interest in net income of pooled funds.

Cash and cash equivalents

The cash and cash equivalents consist of bank accounts and short-term investments with maturity dates of three months or less.

Allocation of expenses

Salaries and other expenses considered to be partially related to *Policy Options* activities are allocated to *Policy Options* expenditures.

Tangible capital assets

Tangible capital assets are recorded at cost and amortized over their estimated useful life using the straight-line method at the following rates:

Computer equipment	33%
Office equipment	20%

Impairment of long-lived assets

Long-lived assets, which comprise tangible capital assets, are reviewed for impairment when certain events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment is recognized when the carrying amount of an asset to be held and used exceeds the undiscounted future net cash flows expected from its use and disposal. If there is an impairment, the impairment amount is measured as the amount by which the carrying amount of the asset exceeds its fair value, calculated using discounted cash flows when quoted market prices are not available.

Foreign exchange

The Organization follows the temporal method to translate its foreign currency balances and transactions into Canadian dollars. Under this method, monetary assets and liabilities are translated at the rates of exchange in effect at year-end and the other balance sheet items and income statement items are translated at the monthly average exchange rates. Exchange gains and losses are included in excess (deficiency) of revenues over expenditures for the period.

Financial instruments

Measurement of financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value, adjusted by, in the case of financial instruments that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value are expensed in the year they are incurred.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity, real estate and bond instruments that are quoted in an active market, which are measured at fair value. The Organization has elected to carry pooled fund investments and bond investments at fair value. The fair value of investments is based on closing prices. Fair value fluctuations, including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in revenue.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in excess of revenues over expenditures. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the excess of revenues over expenditures.

3. ACCOUNTS RECEIVABLE

	2018	2017
	$	$
Trade	**24,916**	2,881
Dividends receivable	**165,159**	184,628
Accounts receivable on disposal of investments	**156,196**	146,100
Sales taxes receivable	**62,784**	58,107
	409,055	391,716

4. INVESTMENTS

Investments consist of pooled equity, real estate and bond funds as well as mortgages and are carried at a fair value of $41,900,054 (2017 - $43,028,613) with a cost of $33,599,245 (2017 - $33,759,579).

	2018	2017
	$	$
Canadian pooled equity funds	**13,587,258**	12,462,724
United States pooled equity funds	**4,464,610**	9,977,500
Other foreign pooled equity funds	**13,637,126**	9,288,054
Bond pooled funds and mortgages	**6,090,765**	11,300,335
Canadian pooled real estate funds	**4,120,295**	-
	41,900,054	43,028,613

5. TANGIBLE CAPITAL ASSETS

		2018	
	Cost	**Accumulated amortization**	**Net**
	$	**$**	**$**
Computer equipment	**423,864**	**404,875**	**18,989**
Office equipment	**138,873**	**138,873**	**-**
	562,737	**543,748**	**18,989**

		2017	
	Cost	Accumulated amortization	Net
	$	$	$
Computer equipment	411,797	397,713	14,084
Office equipment	138,873	138,092	781
	550,670	535,805	14,865

6. FINANCING FACILITY

The Organization has a line of credit of $470,000, which is reviewed annually with the bank.

Bank indebtedness, outstanding at any time, is due on demand, unsecured and bears interest at 1% over the bank's prime lending rate.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
	$	$
Trade and accrued liabilities	**157,529**	124,393

There were no government remittances payable as at March 31, 2018 and 2017.

8. DEFERRED CONTRIBUTIONS

	2018	2017
	$	$
Fifth Decade Fund		
Balance, beginning of year	**45,622**	45,622
Amount recognized in operations	**-**	-
Amount received during the year	**-**	-
Balance, end of year	**45,622**	45,622

The Fifth Decade Fund represents amounts received and restricted for purposes at the discretion of the President and approved by the Board of Directors.

9. RESTRICTIONS ON NET ASSETS AND TRANSFER

The net assets restricted for operations, and subject to internally imposed restrictions by the Board of Directors, must be maintained to finance the organization's operations. To finance the operations of the Organization, the Board of Directors authorizes an annual transfer of resources from restricted net assets to unrestricted net assets. This transfer of resources is determined using a formula approved by the Board of Directors.

	2018	2017
	$	$
Annual draw as per pre-determined formula	**1,727,923**	1,718,346
Special amount approved by the board	**500,000**	500,000
	2,227,923	2,218,346
Net investment income (loss)	**1,266,809**	4,862,549
Transfer	**961,114**	(2,644,203)

10. COMMITMENTS

The minimum rentals payable under long-term operating leases, exclusive of certain operating costs for which the Organization is responsible, are approximately as follows:

	$
2019	110,000
2020	94,000
2021	91,000
2022	36,000
	331,000

11. CASH FLOWS

Net change in non-cash working capital items comprises the following:

	2018	2017
	$	$
Accounts receivable	**(17,339)**	(120,393)
Prepaid expenses	**(11,396)**	(17,820)
Accounts payable and accrued liabilities	**33,136**	10,692
	4,401	(127,521)

12. FINANCIAL INSTRUMENTS

Risk management policy

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure as at March 31, 2018.

Credit risk

The Organization, in the normal course of operations, provides credit to its users. The Organization does not have a significant exposure to any individual or counter party. The Organization establishes an allowance for doubtful accounts that corresponds to the credit risks of its specific users, historical trends and economic circumstances.

Interest rate risk

The Organization has a line of credit at a variable interest rate. Consequently, the Organization is exposed to interest rate risk as a result of potential rate fluctuations.

The Organization manages its investments with a view of optimizing its interest income.

The Organization has exposure to interest rate risk on its investments. It manages this risk through prudent investment management and diversification.

Currency risk

The Organization realizes some of its investment transactions in foreign currencies. Consequently, it is exposed to fluctuations of these currencies. Assets in US dollars are the following:

	2018	2017
	$	$
Cash	**-**	3,677

Price risk

The Organization's investments expose it to price risk since changes in market prices could result in changes in fair value or cash flows of these investments. The maximum risk resulting from these financial instruments is equivalent to their fair value.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization manages liquidity risk by constantly monitoring forecasted and annual cash flows and financial liability maturities, by holding assets that are liquid or readily convertible to cash, and by maintaining access to additional financing from its line of credit.

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