

# BREAKING GROUND



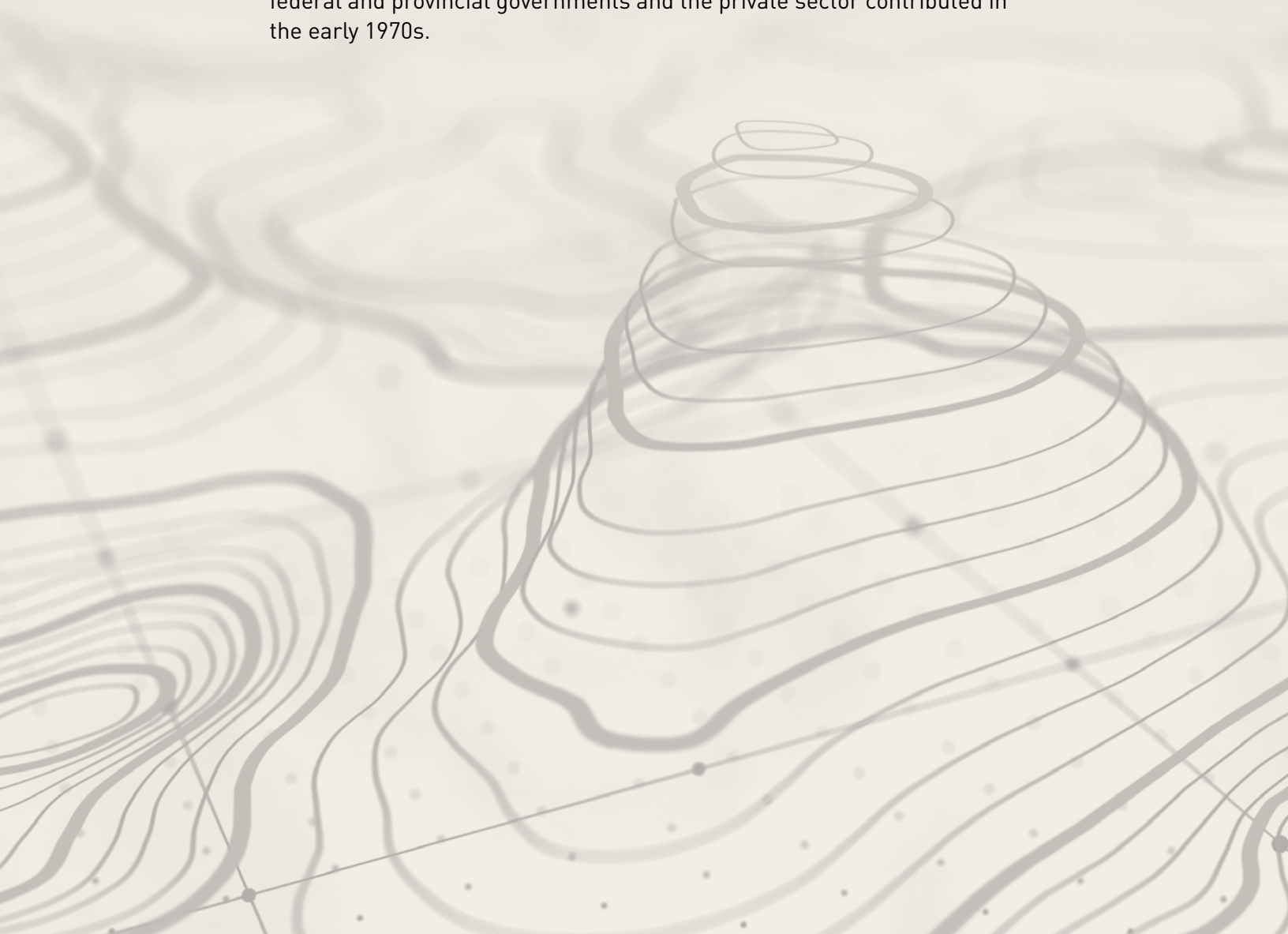
Annual Report  
2018-2019



## 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: A. Anne McLellan, Edmonton  
Vice-Chair: Michael B. Decter, Toronto

Robert Badun, Toronto  
David N. Biette, New York  
Ian Brodie, Calgary  
Kim Brooks, Halifax  
Cassie Doyle, Vancouver  
Jock Finlayson, Vancouver  
Graham Fox (IRPP President), Montreal  
Lea B. Hansen, Toronto  
George E. Lafond, Victoria  
Nancy Olewiler, Vancouver  
John Parisella, Montreal  
Elizabeth Roscoe, Ottawa  
Kim West, Halifax

## FINANCIAL HIGHLIGHTS

*Year ended March 31, 2019 (thousands of dollars)*

	2019	2018	2017
<b>Operational budget</b>	2,744	2,492	2,450
<b>Expenses</b>	2,753	2,370	2,303
<b>Operational budget over/under expenses</b>	(9)	122	147

## 2018-19 IN REVIEW

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**13**

Publications

**15**

Events

**494**

*Policy Options* articles

### Podcasts

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**23**

Produced

**26,192**

Reached

### Social media

---

**14,081**

Twitter followers

**2,017**

Facebook likes

### Research references

---

**344**

Academic

**18**

Government

### Media mentions

---

**1,360**

Articles

**5**

Op-eds

**344,088,115**

Potential reach

### Website activity

---

**1,339,332**

Page views

**715,700**

Users

**11,819**

Downloads

### Public engagement by IRPP experts

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**11**

Parliamentary activity

**2**

Presentations

## PUBLICATIONS

*Les services de garde subventionnés : l'exception du Québec dans le contexte fédéral*  
Gabriel Arsenault, Olivier Jacques and Antonia Maioni  
April 2018

*Creating an Independent Commission for Federal Leaders' Debates*  
Round table report  
April 2018

*Coordinating Federalism: Intergovernmental Agenda-Setting in Canada and the United States*  
Jared Wesley  
May 2018

*Universal Pharmacare and Federalism: Policy Options for Canada*  
Colleen M. Flood, Bryan Thomas, Asad Ali Moten and Patrick Fafard  
September 2018

*Facing the Facts: Reconsidering Business Innovation Policy in Canada*  
Peter Nicholson  
October 2018

*Rethinking Criminal Justice in Canada*  
Round table report  
October 2018

*Federalism and International Trade Policy: The Canadian Provinces in Comparative Perspective*  
Jörg Broschek and Patricia Goff  
October 2018

*A National Urban Policy for Canada? The Implicit Federal Agenda*  
Neil Bradford  
November 2018

*A Digital Strategy for Canada: The Current Challenge*  
David A. Wolfe  
January 2019

*Indigenous Self-Determination in Northern Canada and Norway*  
Gary N. Wilson and Per Selle  
February 2019

*Renewal of the Canadian Senate: Where to from Here?*  
Round table report  
February 2019

*Improving Advance Medical Directives: Lessons from Quebec*  
Louise Bernier and Catherine Régis  
March 2019

*Moving Toward a New and Improved Senate*  
Paul Thomas  
March 2019

## EVENTS

Round tables  
Interaction of Social Systems and Criminal Justice System Review  
April 2018, Edmonton, Montreal, Toronto, Halifax

Symposium  
A New Take on Innovation in Canada: Boosting the Demand Side  
May 2018, Ottawa

Working lunch  
The First Trudeau Mandate in Perspective and Election 2019  
June 2018, St. John's

Round table  
Innovation-Driven Growth and Inclusive Economic Growth in Canada  
July 2018, Montreal

Webinar  
Coordinating Federalism: Intergovernmental Agenda-Setting in Canada and the United States  
September 2019

Webinar  
Interpreting Canada's Medical Assistance in Dying Legislation  
September 2018

Round table  
Senate Renewal  
September 2018, Ottawa

Round table  
The Future of Skills and Adult Learning  
October 2018, Toronto

5 à 7 de l'IRPP  
Que signifie le nouvel échiquier politique québécois pour les grands enjeux de société ?  
November 2018, Montreal

*Policy Options* Pre-Election Breakfast Series  
Improving Canada's Tax System  
January 2019, Ottawa

*Policy Options* Pre-Election Breakfast Series  
Climate Change Policy  
February 2019, Ottawa

5 à 7 de l'IRPP  
Comment miser sur les écosystèmes d'innovation ?  
March 2019, Montreal



# MESSAGE FROM THE CHAIR OF THE BOARD OF DIRECTORS

*Anne McLellan*

It is with pleasure that I write this first report as chair of the Board of Directors of the IRPP. It has been another successful year for the Institute as we break ground on new research directions. In 2018 the Institute published 13 studies and reports, hosted 15 events across Canada and reached over 1.3 million page views of its online content.

This has been a year of transition and change for our Board. In December we bid farewell to long-time fellow director and board chair, Graham Scott. Graham served the Institute in different capacities for over 12 years and leaves a legacy of exceptional leadership and immeasurable strength in all matters of governance. For this, we are extremely grateful and we will miss him.

Also in December, as I began my term as chair, Michael Dexter started his term as vice chair, and we welcomed new director Robert Badun. Robert brings over 30 years of experience in the financial services industry to the Board and our Investment Committee. In March, Alain Dubuc rejoined the Board as director for a three-year term. Alain is now a strategic consultant at the Institut du Québec and an associate professor at HEC Montréal.

In June, we welcomed new directors Alex Marland, Christopher Sands and Vianne Timmons. Alex is a professor in the Department of Political Science at Memorial University of Newfoundland. Christopher is senior research professor and director of the Center for Canadian Studies at the School of Advanced International Studies at Johns Hopkins University. Vianne is president of the University of Regina.

With this renewal also comes departures of directors who will complete their second terms in June. We bid farewell to David Biette, Kim Brooks and George Lafond. All three provided invaluable dedication, insight and contributed to the advancement of the IRPP. On behalf of my colleagues on the Board, a sincere thank you. The IRPP also benefits tremendously from the dedication and hard work of its Investment Committee. Its members' efforts and recent performance contribute directly to our ability to fulfill our mission. I'd like to thank all members of the committee – directors and nondirectors – for their unwavering commitment to the Institute.

With renewed research programs and a new Centre of Excellence on the Canadian Federation be to launched in 2019, we look forward with confidence and optimism. I would like to thank my fellow directors, our president Graham Fox and the staff for their continued efforts to make the Institute the go-to place for high-quality, evidence-based public policy research and debate.

# MESSAGE FROM THE PRESIDENT

Graham Fox

In an age of growing distrust and disinformation, the IRPP remains a trusted source of independent, timely, and relevant research. Now more than ever, we must continue to press the case to all governments that the best policy decisions are those informed by evidence and supported by the highest quality research.

This year we are breaking ground in new research directions, with new colleagues and additional resources to support our activities. In 2018-19 we began laying the foundations for the IRPP Centre of Excellence on the Canadian Federation. A permanent research body to be housed at the Institute, made possible by a \$10 million contribution from the Government of Canada, its mission will be to reinforce research capacity on issues related to Canadian federalism. Debates across the country on a carbon tax, immigration, pipelines and equalization remind us everyday that the federal fact of Canada fundamentally shapes our policy responses to national challenges. Understanding how the country works is therefore essential to our collective success.

Through our publications, events and *Policy Options* magazine, we strive to bring the best of what academic research has to offer to leaders from the public private and not-for-profit sectors. In the last year, we examined the state of business innovation in Canada, considered the recent reforms to Canada's Senate, explored the interactions of the criminal justice and other social systems, and proposed a blueprint to create an independent commission for leaders' debates during federal elections. Our activities have taken us to every region of the country, and *Policy Options* reaches more people today than at any time in its history.

As the demand for trusted and diverse voices in public policy grows, so too has our team to meet this demand. During this past year, we welcomed Evangeline Sadler, who joins us as the deputy editor (English) of *Policy Options*. A veteran editor, she brings more than two decades of newsroom experience, including from the *Montreal Gazette*. Julia Bugiel joined our communications team as digital content creator, replacing Madi Haslam, who has become the deputy editor of *Maisonneuve* magazine.

At the board level, we welcomed the Hon. Anne McLellan as our new chair in December. Since 2008, Anne has been a committed director and vice-chair, and it is a distinct pleasure to be working with her now as chair. Her dedication to the Institute's mission will ensure we continue to thrive in these challenging times. I also wish to thank most sincerely Graham Scott, who served as chair for the last six years. His leadership and support enabled the growth that we have enjoyed in recent years.

I thank my colleagues, our Board of Directors, and all the leaders in government, academia and business who have contributed their time and resources to support the work of the IRPP. You enable us to ask the hard questions and maintain the independence that is so critical to our success. We appreciate your support, and we thank you for your generosity.







# RESEARCH

*France St-Hilaire, Vice-President, Research*

*Research Directors: Colin Busby, Joanne Castonguay, Natalia Mishagina, F. Leslie Seidle*

The spread of disinformation is challenging our capacity to make informed decisions about our economic, social, and political lives. In this changing landscape the Institute for Research on Public Policy is a trusted voice at the heart of Canada's most important policy conversations. Generating independent, credible research is at the core of our mission to improve public policy in Canada. We publish peer-reviewed research; convene policy debates through conferences, round tables and panel discussions; and we collaborate with researchers in academia and government to identify and explore emerging policy challenges.

## BREAKING NEW GROUND

Recent layoffs at Fiat Chrysler in Windsor, the closing of the Oshawa's GM plant, and economic turbulence in Alberta due to dramatic fluctuations in oil prices are a stark reminder of Canadian workers' exposure to global competitive forces. Added to this are anxieties associated with the potential impact of artificial intelligence and robotics on jobs.

Last year we spearheaded new research directions to examine how income support programs and adult education and training systems can better respond to the impacts of globalization and technological change. This year we continue to define and expand our research agenda in this direction through consultations with key experts and stakeholders to better understand the changing nature of the Canadian workplace and its implications for policy, and by commissioning new research on adapting education and social programs to better align with new labour market realities, automation and job displacement in Canada. In the process we have broadened our

definition of the "social safety net" to include the policy and legislation that underpins the labour market institutions and frame the labour relations that help determine how these global forces play out for individual workers and for society.

We also pursue our work on three other fronts: the emerging federalism and governance issues facing our federation, the importance of innovation for our economy, and the policy challenges posed by our aging population.

## RESEARCH STREAMS

### **Canada's Changing Federal Community**

This research stream focuses on the evolution of the Canadian federation as a political system and as a community that seeks to accommodate various forms of diversity. Our work provides original insights into the relationship between public policy and key elements of Canadian federalism, as well as changes to federal and intergovernmental institutions.

For instance, we are the only research organization to produce timely analysis of how the new nomination process is transforming Canada's Senate. In his study, leading political scientist Paul Thomas provides a critical account of the implications of the renewal now in progress, including the emergence of a less partisan culture.

As the Advisory Council on the Implementation of National Pharmacare continued its cross-country consultations, Colleen Flood and her co-authors explored two broad policy options for implementing universal pharmacare and their implications for federal-provincial fiscal arrangements. The

issue of expanded public insurance coverage for pharmaceuticals is expected to be a focal point of debate among the main parties in the upcoming federal election.

Finally, we continue to contribute actively to the growing literature on the evolution of Indigenous governance within Canada's federal framework. In their study, Gary Wilson and Per Selle explore how Indigenous self-determination has taken different paths for the Canadian Inuit and the Norwegian Sámi, both of which have been trailblazers.

### **Unlocking Demand for Innovation**

Canada's economic prospects rely on stronger productivity growth and better innovation performance. Yet for decades, successive governments' attempts to promote business innovation have failed to produce the desired results. The objective of this research stream is to improve our understanding of the demand for innovation and the role of government in facilitating this demand.

Our first initiative in launching this program was to gather over 60 researchers, stakeholders and international experts for two-day conference to examine Canada's innovation challenges, consider the findings from the latest research, and hear the views and concerns of Canadian businesses and policy-makers on these matters. This event enabled us to pinpoint research gaps and set the broad directions for our work.

Some of the conference presentations also subsequently served as the basis for papers, two of which were released in recent months. In the first, leading expert Peter Nicholson describes the causes of Canada's low-innovation equilibrium, why it persists and the reasons it is no longer viable. In the second, David Wolfe argues that Canada's future competitiveness and growth prospects are inextricably linked to our ability to seize the opportunities created by the rapidly evolving digital economy. Wolfe makes the case for a focused policy strategy to promote the rapid adoption of digital

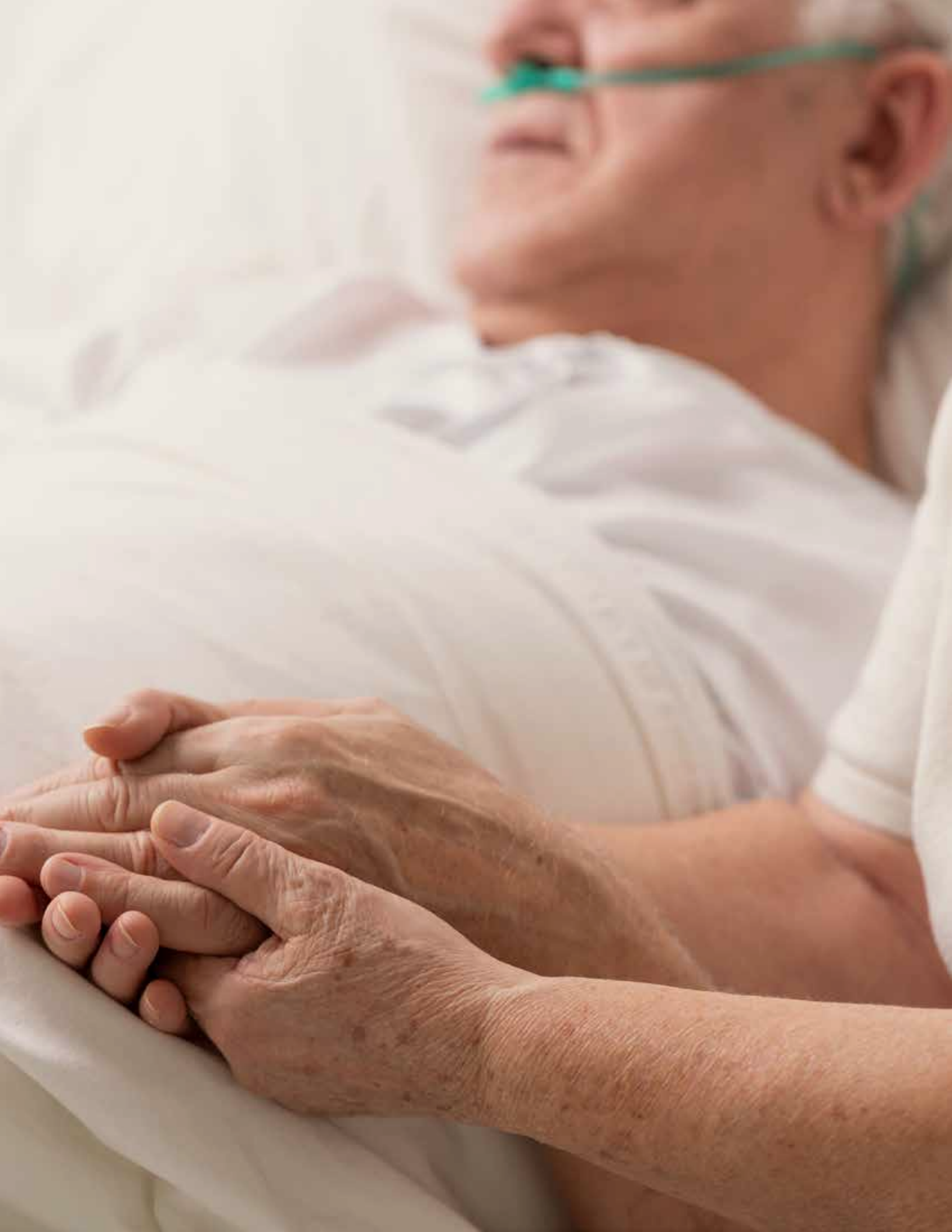
technologies across all sectors of the Canadian economy and help digital firms scale up and go global.

### **Faces of Aging**

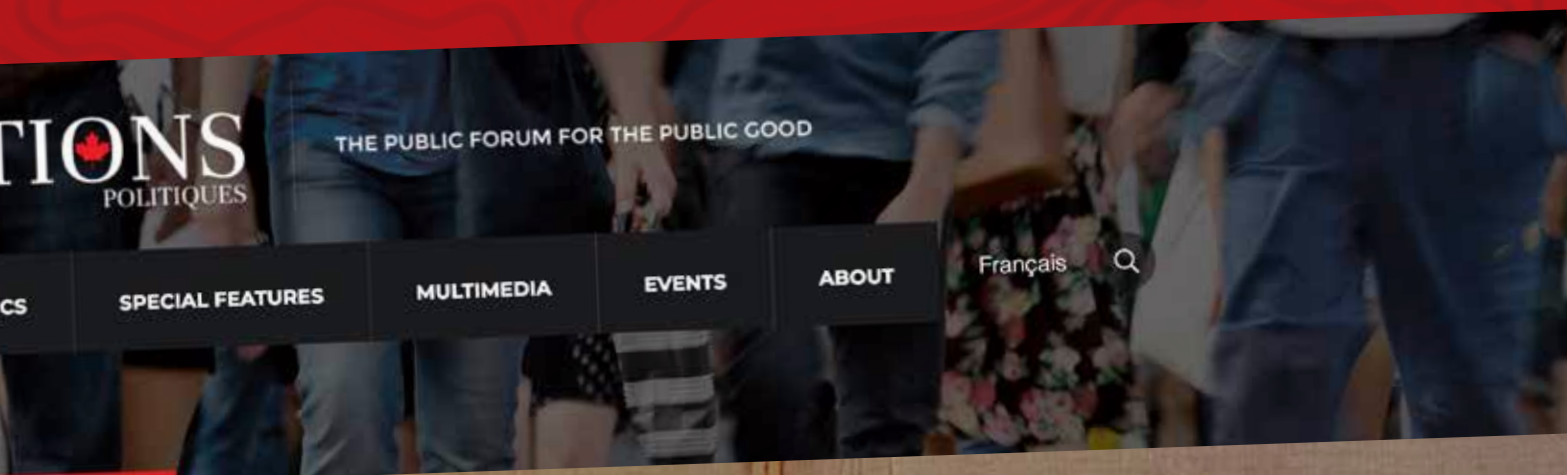
The aging of Canada's population will present a host of complex social and economic challenges for governments at all levels over the next few decades. This research stream examines this demographic phenomenon and its implications for public policy and society at large.

In particular, policies for end-of-life care in Canada are evolving rapidly and will come under greater scrutiny as our population grows older. Indeed, difficult questions have been thrust into the spotlight with the adoption of the federal Bill C-14 on medical assistance in dying (MAiD). Beyond leaving unresolved some contentious issues associated with complex requests, the legislation is subject to interpretation ambiguities about eligibility that have resulted in court challenges in a number of provinces. In their report, Jocelyn Downie and Jennifer Chandler, identify and analyze several of the terms and phrases in need of clarification and propose interpretations based on clinical and other forms of expertise. The interest sparked by this report, and the webinar with the authors that attracted roughly 430 viewers, suggests a desire on the part of the public to learn, discuss and be informed about these issues of great concern to all.

Another, related, question is how to ensure individuals' preferences and values are truly reflected in end-of-life care through various types of advance care planning. To help Canadians navigate some of these questions, Louise Bernier and Catherine Régis take stock of how advance medical directives are developing across the country. Their study highlights the best practices and shortcomings of existing arrangements, as well as how certain policy approaches might better serve the interests and wellbeing of individuals, to encourage the provinces to learn from each other.







Le bloc  
oléoduc



Moving in and out of the  
public service shouldn't  
so hard



## POLICY OPTIONS

*Editor-in-Chief: Jennifer Ditchburn*

*Deputy Editor (English Content): Evangeline Sadler*

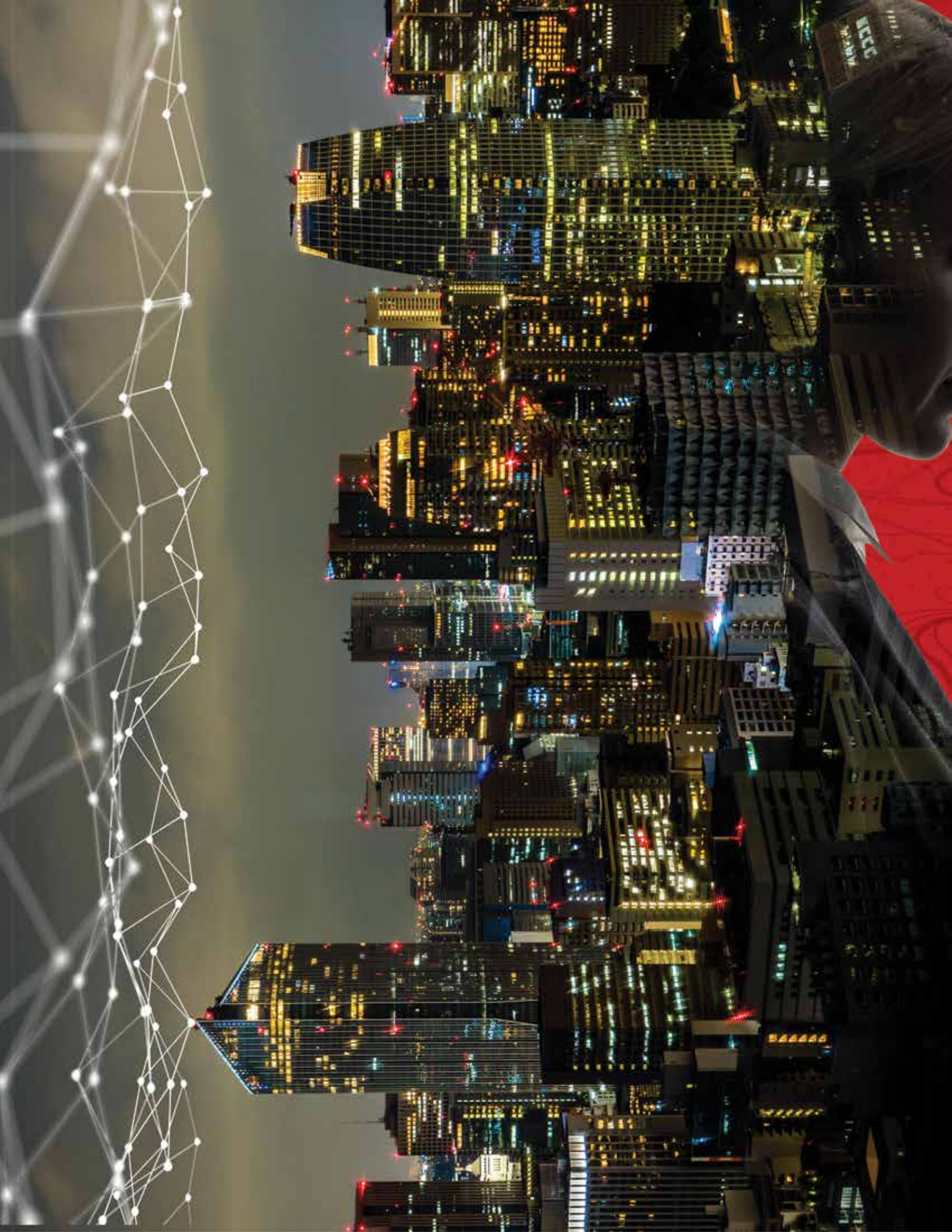
*Deputy Editor (French Content): Félice Schaepli*



With 1.1 million pageviews in 2018-19, *Policy Options* has established a reliable readership that has come to depend on the magazine's well written, evidence-based content about major issues in Canadian public policy. *Policy Options* has also been building strong relationships with friends in other institutions. This year, we partnered with Osgoode Hall Law School, the Queen's International Institute on Social Policy, the Public Policy Forum, Memorial University, and Department of Justice Canada on a feature series. We also collaborated with the MacEachen Institute for Public Policy and Governance at Dalhousie University for a sold-out event in Halifax on the impact of fake news on today's political landscape, and with the Nobel Women's Initiative for a Montreal event on feminist foreign policy.

Our strong media brand proved to be a draw in early 2019 as we launched a series of four pre-election events focused on key policy topics for the next federal election. The events, which took place in Ottawa, featured high-profile experts in areas such as climate policy, taxation and Indigenous policy. Their insights were also later shared via the *Policy Options* podcast and in videos of the events.

In its pages the magazine explored areas of public policy that often get less attention in the mainstream media, including digital government, consumer rights, Indigenous-Crown relations, and the intersection of gender and politics. Our regular contributor Alain Noël received a silver medal at the 2018 Digital Publishing Awards for his columns in *Policy Options*, and we received two silver 2018 Canadian Online Publishing Awards for our podcast and for Editor-in-Chief Jennifer Ditchburn's columns.







## COMMUNICATIONS

*Communications Coordinator: Shirley Cardenas*

The IRPP's outsized impact continued in 2018–19 with strong communications performance in traditional avenues: our research was discussed in over 1,360 news stories reaching over 344 million readers and viewers and cited in 375 journal articles, government publications, and public presentations. Moreover, the rise of digital media has greatly enhanced our ability to reach our audiences— from engaged citizens to sitting senators—directly. Our research and articles generated over 1.3 million pageviews and close to 12,000 downloads. Our podcast attracted over 26,000 listeners and our videos and webinars reached over almost 3,000 viewers. We saw an 80 percent increase in LinkedIn followers, and a 20 percent increase in Twitter followers and Facebook likes.

To enhance our reach, the Institute continues to build on its strong digital foundations. Last year we relaunched our website with a new, mobile-friendly look. This year we dove deeper into the foundations by improving the searchability of our content and tidying up our information architecture, making it easier for search engines to index our work. With our archives expanded by 10 years, Canadians now have greater access to the IRPP's analysis, commentaries and articles than ever before. As policy debates increasingly move into digital spaces, the Institute remains a primary venue for thoughtful discussion.

# REPORT OF THE INVESTMENT COMMITTEE

*Chair: Lea Hansen*

*Members: Robert Badun, Michael Decter, Monika Skiba, Elizabeth Roscoe, Ali Suleman*

The IRPP's Endowment Fund supports the work of the Institute. The role of the Investment Committee is to maintain the real value (after inflation) of the Fund so that it can continue to provide financial support to the Institute; advise the Board of Directors on the Institute's investment strategy; consider and recommend the appropriate asset mix of the Endowment Fund; 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 operations of the Institute and protecting the real value of the Fund may be competing objectives. For this reason, the Institute has used different approaches and formulas over the years to determine the amount released annually from the Endowment Fund to support the operations of the Institute while also ensuring the long-term sustainability of the Fund.

Following the global financial crisis of 2008-09, the Board decided to gradually reduce the rate of draw from 5 percent to 4 percent. At the 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 to 70 percent equities (consisting of 30 percent Canadian, 20 percent US, and 20 percent non-North American equities [EAFE]) and 30 percent fixed income. In 2013, Burgundy Asset Management was given the mandate to manage the equities portion of the portfolio, and in 2014, Philips, Hager and North Investment Counsel was given the mandate to manage the fixed income portion of the portfolio, of which 25 percent is invested in commercial mortgages.

In January 2018, the Committee decided to invest 10 percent of the fund in the Bentall Kennedy Prime Canadian Property Fund (which includes income-producing office, distribution and warehouse, retail, and multifamily properties). This shift reflected the Committee's view that bond returns are expected to remain low and 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. In June 2018, the decision was also made to change the equities allocation to reduce the exposure to Canadian equities to 20 percent (from 30 percent) and increase the exposure to US and global equities each to 25 percent (from 20 percent).

For fiscal year 2018-19, the draw from the Endowment Fund amounted to \$2,279,262, which covers almost 80 percent of operating costs.

Equity markets continued to outperform bond markets, and bond returns exceeded the past five-year average. As a result, the Endowment Fund gained 8.0 percent in fiscal 2018-19, before investment fees and draw, and 1.7 percent, after fees and the draw for the year's operations.

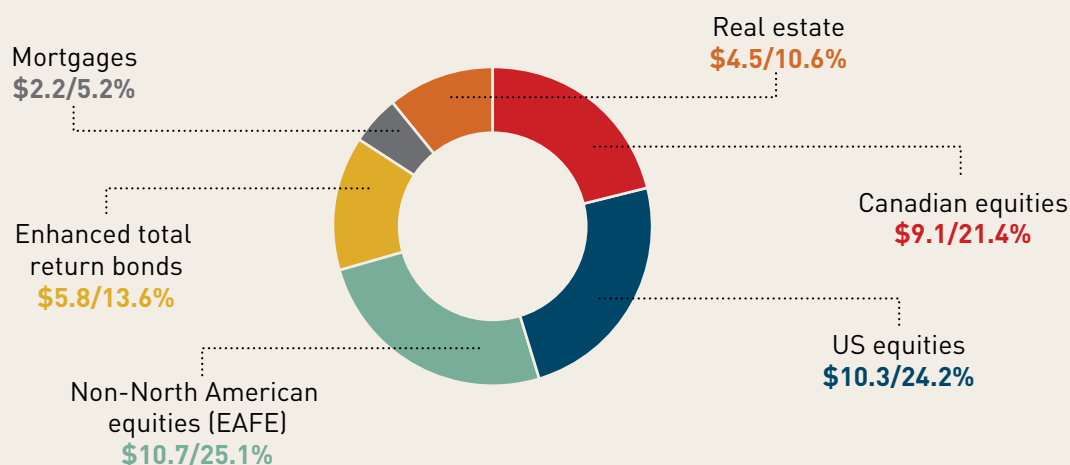


Over the 47-year history of the IRPP, approximately \$80 million have been provided by the Endowment Fund to the operations of the Institute; and the IRPP has been meeting its objective of maintaining the real value of the fund, as illustrated in the graph on the page 18.

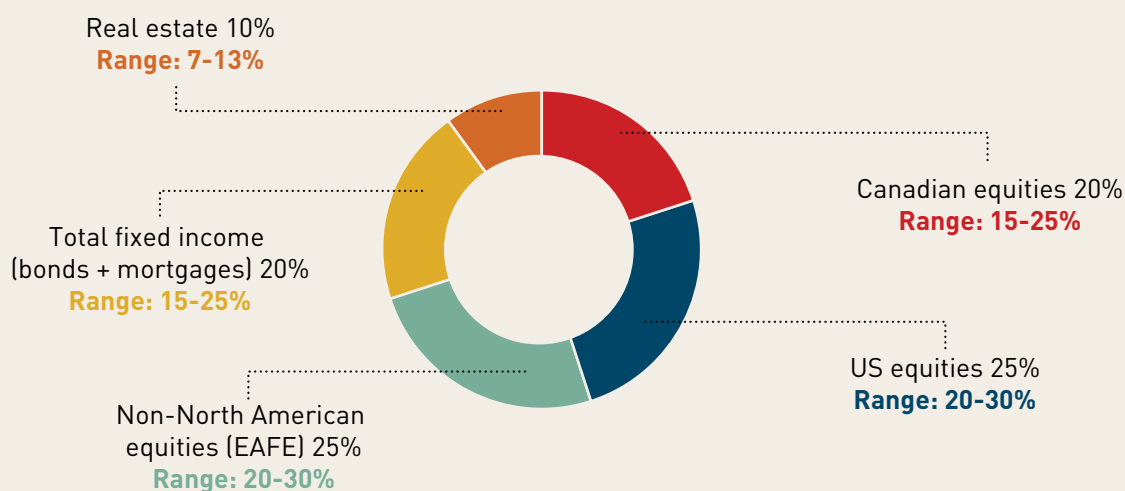
As of March 31, 2019, the fund's combined market value amounted to \$42,668,109. The current asset mix is reported in the charts below.

## ENDOWMENT FUND – ASSET MIX

### Actual (millions of dollars)



### Policy (%)



## ENDOWMENT FUND — HIGHLIGHTS

The table below illustrates that the Endowment Fund has been managed to achieve the dual objectives of providing income for the operations of the IRPP while maintaining the real value of the fund.

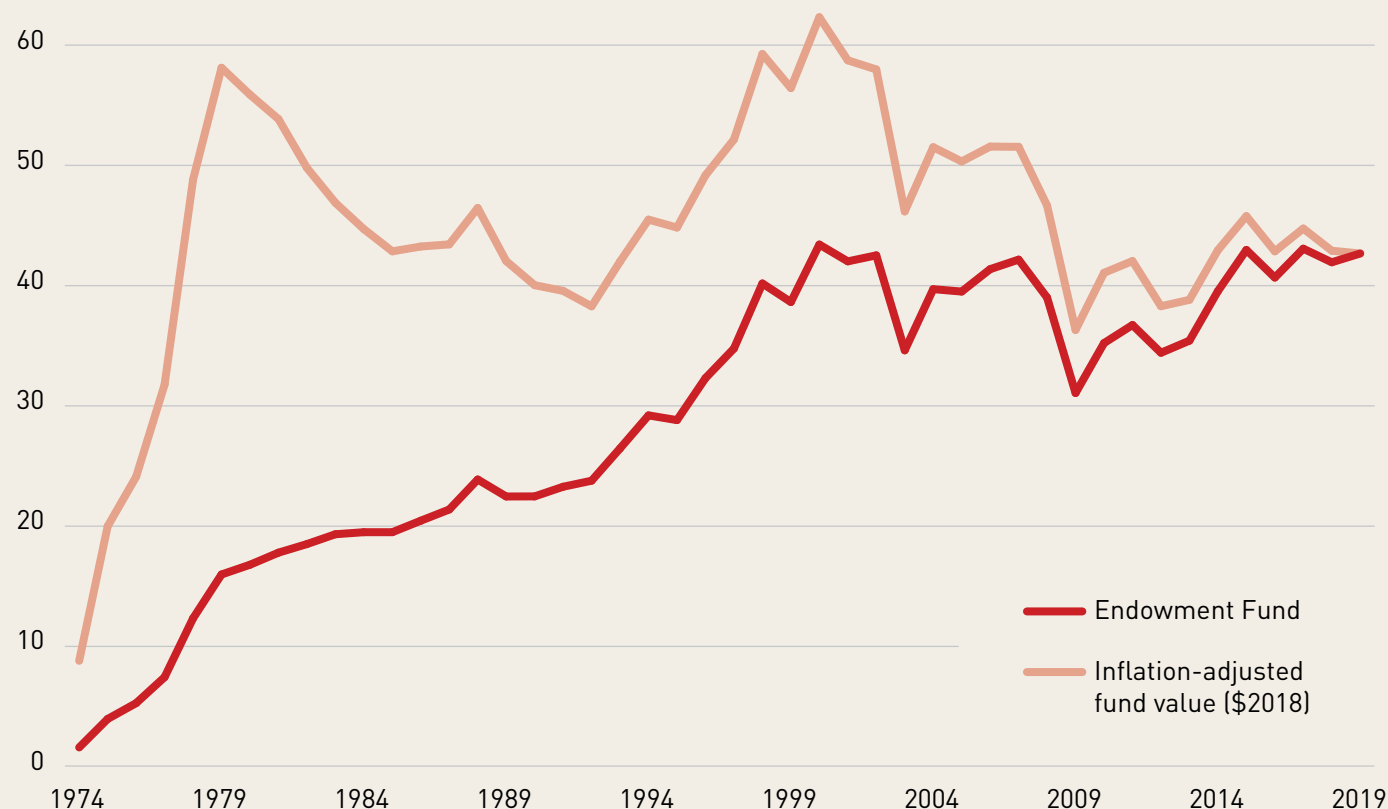
	Fiscal year				
	2019	2018	2017	2016	2015
Market value	\$42,668,109	\$41,937,523	\$43,071,421	\$40,664,295	\$42,965,969
Return (before draw and fees)	8.0%	3.4%	12.2%	0.7%	14.0%
Return (after draw and fees)	1.7%	-2.6%	5.9%	-5.4%	8.7%
Spending (excludes fees)*	\$2,279,262	\$2,228,923**	\$2,218,346**	\$2,216,765**	\$1,713,855
Operating budget	\$2,872,336	\$2,529,350	\$2,489,927	\$2,410,034	\$2,266,242
Management fees	\$346,260	\$368,760	\$332,135	\$390,619	\$379,174
Endowment Fund contribution	79.3%	68.4%	69.0%	71.2%	75.6%
		90.1%**	89.1%**	91.9%**	

\* 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.

## VALUE OF THE IRPP ENDOWMENT, 1974-2019

(millions of dollars)



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

# INDEPENDENT AUDITOR'S REPORT



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

## Opinion

We have audited the financial statements of Institute for Research on Public Policy (the Organization), which comprise the statement of financial position as at March 31, 2019, and the statements of changes in net assets, statement of revenues and expenditures, and statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2019, 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 report. We are independent of the Organization 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.

## Other matter

The financial statements for the year ended March 31, 2018, were audited by another auditor who expressed an unmodified opinion on those financial statements on June 5, 2018.

## 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

## Auditor's responsibility 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 these 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 Organization'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 Organization'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 Organization 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.

*Ernst & Young LLP*<sup>1</sup>  
Montreal, Canada  
June 4, 2019

<sup>1</sup> CPA auditor, CA, public accountancy permit no. A124456



# FINANCIAL POSITION

As at March 31, 2019

	2019 \$	2018 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash	300,320	305,108
Short-term investments (note 3)	1,450,000	-
Accounts receivable (note 4)	261,817	409,055
Prepaid expenses	34,094	38,364
	<b>2,046,231</b>	<b>752,527</b>
<b>Investments</b> (note 5)	<b>51,218,109</b>	<b>41,900,054</b>
<b>Tangible capital assets</b> (note 6)	<b>21,540</b>	<b>18,989</b>
	<b>53,285,880</b>	<b>42,671,570</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (note 8)	122,016	157,529
Deferred contributions (note 9)	545,622	45,622
	<b>667,638</b>	<b>203,151</b>
<b>Commitments</b> (note 12)		
<b>NET ASSETS</b>		
Base endowment (internally restricted)	43,054,055	42,273,266
Centre of Excellence endowment (restricted)	9,500,000	-
Unrestricted	64,187	195,153
	<b>52,618,242</b>	<b>42,468,419</b>
	<b>53,285,880</b>	<b>42,671,570</b>

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, 2019

	Base endowment (internally restricted)	Centre of Excellence endowment (restricted) (note 11)	Unrestricted	2019	2018
	\$	\$	\$	\$	\$
<b>Balance, beginning of year</b>	<b>42,273,266</b>	-	<b>195,153</b>	<b>42,468,419</b>	43,454,012
Excess (deficiency) of revenues over expenditures	-	-	<b>649,823</b>	<b>649,823</b>	(985,593)
Transfer (note 10)	<b>780,789</b>	-	<b>(780,789)</b>	-	-
Centre of Excellence endowment contributions (note 11)	-	<b>9,500,000</b>	-	<b>9,500,000</b>	-
<b>Balance, end of year</b>	<b>43,054,055</b>	<b>9,500,000</b>	<b>64,187</b>	<b>52,618,242</b>	42,468,419

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

# REVENUES AND EXPENDITURES

For the year ended March 31, 2019

	2019	2018
	\$	\$
<b>REVENUES</b>		
Contributions, partners and collaborators	286,854	61,124
Contributions, other	27,910	28,045
Publications and events	9,384	10,713
<i>Policy Options</i> events	5,995	7,640
<i>Policy Options</i> advertising	12,981	10,671
	<b>343,124</b>	<b>118,193</b>
<b>EXPENDITURES</b>		
General research and support services	2,197,048	1,845,094
<i>Policy Options</i>	522,471	451,943
Other publications	15,956	58,920
Interest and bank charges	7,858	6,695
Amortization of tangible capital assets	10,018	7,943
	<b>2,753,351</b>	<b>2,370,595</b>
<b>Deficiency of revenues over expenditures before the undernoted</b>	<b>(2,410,227)</b>	<b>(2,252,402)</b>
<b>Net investment income</b>		
Changes in fair value of investments and interest income	1,940,558	393,529
Dividend income	1,441,781	1,218,026
Transaction costs	(322,289)	(344,746)
	<b>3,060,050</b>	<b>1,266,809</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>649,823</b>	<b>(985,593)</b>

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

# CASH FLOWS

For the year ended March 31, 2019

	2019	2018
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenditures	649,823	(985,593)
Items not affecting cash:		
Amortization of tangible capital assets	10,018	7,943
Changes in fair value of investments	(517,082)	(228,662)
	142,759	(1,206,312)
Net change in noncash working capital items (note 13)	615,995	4,401
	758,754	(1,201,911)
<b>INVESTING ACTIVITIES</b>		
Acquisition of short-term investments	(1,450,000)	-
Acquisition of investments	(13,255,853)	(5,492,338)
Proceeds of disposal of investments	4,454,880	6,849,559
Acquisition of tangible capital assets	(12,569)	(12,067)
	(10,263,542)	1,345,154
<b>FINANCING ACTIVITY</b>		
Receipt of endowment contributions	9,500,000	-
<b>Increase (decrease) in cash</b>	<b>(4,788)</b>	<b>143,243</b>
<b>Cash, beginning of year</b>	<b>305,108</b>	<b>161,865</b>
<b>Cash, end of year</b>	<b>300,320</b>	<b>305,108</b>

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



# NOTES TO FINANCIAL STATEMENTS

March 31, 2019

## 1. PURPOSE OF THE ORGANIZATION

Founded in 1972, the Institute for Research on Public Policy (the "Organization") is an independent, national, bilingual, not-for-profit organization. The Organization 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. Its independence is assured by an endowment, the Base endowment (internally restricted), to which federal and provincial governments and the private sector contributed in the early 1970s. 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, hereafter referred to as "ASNPO," and include the following significant accounting policies:

### 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. Endowment contributions are recognized as direct increases in net assets.

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 revenues 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.

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 proportion basis, dividend income is recognized as of the ex-dividend date and changes in fair value are recognized when they occur.

### Allocation of expenses

Salaries and other expenses considered to be partially related to *Policy Options* activities are allocated to *Policy Options* expenditures. The allocation of salaries is based on the percentage of time spent by each employee on the *Policy Options* activities and the allocation of other expenses is based on the budget submitted by the *Policy Options* director based on requirements and percentage of space utilized.

### Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is calculated on their respective 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 amount 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. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

### Financial instruments

#### Measurement of financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value, (except for related party transactions) 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 instruments that are quoted in an active market, which are measured at fair value. In addition, the Organization elected to subsequently measure all other investments at fair value.

Financial assets measured at amortized cost include cash, short-term investments 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 (deficiency) of revenues over expenditures.

## 3. SHORT-TERM INVESTMENTS

These investments, which consist of redeemable short-term investment certificates, bear interest at a rate of 1.90% with a maturity date of March 2020 (2018 - \$nil). These investments are part of the Centre of Excellence endowment (restricted) received in 2019 referred to in Note 11.

## 4. ACCOUNTS RECEIVABLE

	2019	2018
	\$	\$
Trade	7,567	24,916
Dividends receivable	184,795	165,159
Accounts receivable on disposal of investments	-	156,196
Sales taxes receivable	69,455	62,784
	<b>261,817</b>	<b>409,055</b>

## 5. INVESTMENTS

Investments related to the Base endowment (internally restricted) (BE) consist of pooled equity, real estate and bond funds as well as mortgages and are carried at a fair value of \$42,668,109 (2018 - \$41,900,054) with a cost of \$33,830,230 (2018 - \$33,579,245).

Investments related to the Centre of Excellence endowment (restricted) (CEE) (see note 11), consist of pooled equity funds as well as cash equivalents at a fair value of \$8,550,000 (2018 - \$nil) with a cost of \$8,550,000 (2018 - \$nil). As the funds were transferred to the broker immediately before year-end, \$1,900,000 of the funds were only placed into specific investment funds subsequent to year-end. However, as the intent was to have these endowment funds invested at year-end, the cash equivalents are presented as long-term investments.

	2019	2018
	\$	\$
Canadian pooled equity funds - BE	11,401,472	13,587,258
United States pooled equity funds - BE	5,024,227	4,464,610
Other foreign pooled equity funds - BE	15,962,697	13,637,126
Bond pooled funds and mortgages - BE	5,812,017	6,090,765
Canadian pooled real estate funds - BE	4,467,696	4,120,295
Canadian pooled equity funds - CEE	1,995,000	-
United States pooled equity funds - CEE	2,327,500	-
Other foreign pooled equity funds - CEE	2,327,500	-
Cash equivalents - CEE	1,900,000	-
	<b>51,218,109</b>	<b>41,900,054</b>

## 6. TANGIBLE CAPITAL ASSETS

	2019	
	Cost	Accumulated amortization
	\$	\$
	\$	\$
Computer equipment	429,161	414,893
Office equipment	146,953	139,681
	<b>576,114</b>	<b>554,574</b>
		<b>21,540</b>

	2018	
	Cost	Accumulated amortization
	\$	\$
	\$	\$
Computer equipment	423,864	404,875
Office equipment	138,873	138,873
	<b>562,737</b>	<b>543,748</b>
		<b>18,989</b>

## 7. 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. As at March 31, 2019 and 2018, the Organization did not have any outstanding balance on this line of credit.

## 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
	\$	\$
Trade and accrued liabilities	119,334	157,529
Payroll deduction at source payable	2,682	-
	<b>122,016</b>	<b>157,529</b>

## 9. DEFERRED CONTRIBUTIONS

The Fifth Decade contribution represents amounts received and restricted for purposes at the discretion of the president and approved by the Board of Directors. During the year, no amount has been recognized in operations and no additional contribution has been received.

The Start-up contribution represents an amount received in 2019 from the Department of Canadian Heritage for the purpose of start-up costs relating to the creation of the Centre for Excellence (see note 11). Should there be any unspent funds relating to the Centre's creation, the remaining balance of the start-up contributions would be transferred to the next fiscal year and used for the same purposes. During the year, no amount has been recognized in operations.

	2019	2018
	\$	\$
Fifth Decade contribution	45,622	45,622
Start-up contribution	500,000	-
Balance, end of year	<b>545,622</b>	<b>45,622</b>

## 10. INTERFUND 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.

	2019	2018
	\$	\$
Annual draw as per predetermined formula	2,279,262	1,727,923
Special amount approved by the board	-	500,000
	<b>2,279,262</b>	<b>2,227,923</b>
Net investment income	3,060,051	1,266,809
Transfer	<b>(780,789)</b>	<b>961,114</b>

## 11. CENTRE OF EXCELLENCE ENDOWMENT (RESTRICTED)

The Centre of Excellence endowment (restricted) net assets represent a contribution received from the Department of Canadian Heritage for the purpose of establishing a Centre of Excellence on the Canadian Federation as a permanent research body to promote shared understanding of the Canadian federal community; and to support the activities of the Centre to conduct and publish research on the Canadian federation for the interests of the Canadian public in furtherance of the Centre's mission. The Centre of Excellence endowment (restricted) net assets are to be maintained by the Organization on a permanent basis and the capital maintained. The funds shall be invested according to the Organization's current investment policy guidelines. The income generated by the Centre of Excellence endowment (restricted) assets can be used to support the annual direct operating costs and will cover costs directly related to its research activities and events. As the endowment contribution was received just before year end in March 2019, no income was earned on the Centre of Excellence endowment (restricted) in 2019.

## 12. 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:

	\$
2020	129,000
2021	127,000
2022	123,000
2023	123,000
2024	123,000
Thereafter	895,000
	<u>1,520,000</u>

## 13. CASH FLOWS

Net change in noncash working capital items is comprised of the following:

	2019	2018
	\$	\$
Accounts receivable	147,238	(17,339)
Prepaid expenses	4,270	(11,396)
Accounts payable and accrued liabilities	(35,513)	33,136
Deferred contributions	500,000	-
	<u>615,995</u>	<u>4,401</u>

## 14. 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, 2019.

### Credit risk

The Organization, in the normal course of operations, provides credit to its users. The Organization is exposed to credit risk on its accounts receivable but 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 is exposed to interest rate risk on its short-term investments, which bear interest at fixed rates, but considers this risk to be low.

### Other price risk

The Organization's investments expose it to other price risk since changes in market prices could result in changes in fair value of 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.

## 15. COMPARATIVE FIGURES

Certain figures in the 2018 financial statements have been reclassified to conform with the presentation in the current year.





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