

**INSTITUTE FOR COMPETITIVENESS &
PROSPERITY**

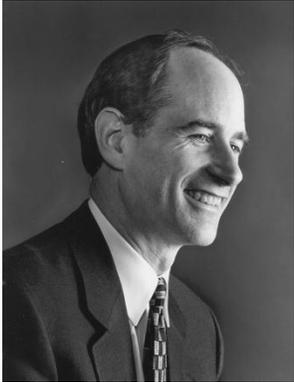
Annual Report 2012-2013
For the year ended April 30, 2013

Table of Contents

Annual Report 2012-2013

Message from the Chair	... 2
Background	... 3
Accomplishments and Commitments	... 6
Performance Measures	... 7
Governance	
Board of Directors	... 8
Members of the Task Force on Competitiveness, Productivity and Economic Progress	... 8
Institute Staff	... 9
Financial Statements and Auditor's Report	... 10

Message from the Chair



I am pleased to present the 2012-2013 Annual Report of the Institute for Competitiveness and Prosperity.

The Institute's prime purpose is to establish and maintain the Task Force on Competitiveness, Productivity and Economic Progress which was announced in Ontario's 2001 Speech from the Throne. Our mandate was broadened to include commercialization and innovation in the Budget Speech of May, 2004.

As we look back on our first ten years we can state with pride that the Task Force and the Institute have played increasingly important roles in the discussion and debate on issues of competitiveness and prosperity in Ontario and also in Canada. We have introduced the concept of a prosperity gap with a group of North American peer jurisdictions, along with our "waterfall" calculations and AIMS (attitudes, investments, motivations and structures) framework to guide our assessment of Ontario. I am proud of the unique and valuable intellectual property and rigorous approach we have created.

However, we are not resting on our laurels. Under the leadership of our new Executive Director, Jamison Steeve, we are attempting to increase our output and deepen our impact. This year will see a dramatic rise in the number of working papers being produced, a refresh of our website so that it is more accessible and current, and a more aggressive communications agenda that will attempt to target the business community.

The Institute has also played a role in giving life to an exciting project with the Federal Government in the area of education reform. Under the leadership of Jennifer Riel, I have high hopes for the project and what it can do for the future of education.

The Institute moved to its new home at the Rotman School of Management in December 2012, sitting alongside the Martin Prosperity Institute. The two institutes are working well together and they will join us on our Toronto series.

We will continue to strengthen our efforts at communicating our findings and recommendations with Ontarians to ensure we are having a significant impact in increasing Ontario's competitiveness, productivity, and capacity for innovation.

Roger L. Martin, Chairman

Background

Vision

Through the provision of support to Ontario's Task Force on Competitiveness, Productivity and Economic Progress, the Institute measures and monitors Ontario's competitiveness compared to other provinces and the US states and is respected for its regular reports to the public. As a result, governments, firms, organizations and individuals in Ontario have access to a policy framework for increased competitiveness and prosperity that is second to none.

Mission

To establish and maintain a Task Force to:

- (a) measure, analyze and report on the competitiveness, productivity and economic progress of the Province of Ontario in comparison to other jurisdictions;
- (b) assess the impact of research and development and commercial innovation in Ontario on the province's competitiveness;
- (c) make such recommendations for action on the part of governments, businesses and others as the Task Force may consider advisable;
- (d) confer and consult with the public, interested parties and experts regarding the methods for measuring, analyzing, reporting upon or making recommendations in respect of the competitiveness, productivity and economic progress of the Province of Ontario;
- (e) encourage, educate and build awareness of competitiveness, productivity and economic progress indicators for the Province of Ontario; and
- (f) conduct such other activities which are consistent with the foregoing.

To conduct activities and carry out such other complementary purposes which are consistent with the establishment and maintenance of the Task Force.

Establishment of the Task Force

In her April 19, 2001 Speech from the Throne, the Honourable Hilary M. Weston, Lieutenant Governor of the Province of Ontario stated:

... Economic strength and quality of life are inseparable. Only a strong economy provides the means to support important services such as accessible health care and quality education.

... Responsible choices are required to keep the economy growing, and to determine spending priorities among competing demands that in total would far exceed the growth in revenue.

... Growth - growth in the economy, growth in jobs - remains your government's top priority.

... A new task force will measure and monitor Ontario's productivity, competitiveness and economic progress compared to other provinces and the U.S. states.

... The independent task force, led by Roger Martin, Dean of the Joseph L. Rotman School of Management and one of Canada's leading experts on competitiveness, will report to the public on a regular basis.

On October 17, 2001 the Premier announced the names of the members of the task force. Since that time, some members have resigned; earlier in 2010, three new members accepted the invitation by Roger Martin to join the Task Force. (See Appendix A for a list of current Task Force members and their brief biographies.)

In the period between the Throne Speech and the announcement of the names of the members of the Task Force, the government approved the establishment of the Institute for Competitiveness and Prosperity whose principal purpose is to establish and maintain the Task Force.

In the Budget Speech of May, 2004, the Government set out the challenge of commercialization for Ontario and set out a role for the Task Force:

A major challenge is to improve on the commercialization of ideas derived from R&D performed in Ontario. Building on the province's strong scientific research base, the government will expand the focus of its innovation programs to enhance commercialization in Ontario's public research institutions. New funding will help these institutions gain better access to private capital. The Ontario Government will work with the federal government to maximize Ontario's participation in the venture capital initiatives announced in the 2004 federal Budget. In addition the Task Force on Competitiveness, Productivity, and Economic Progress will shift its next phase of research to include commercialization issues.

Minister Cordiano expanded on this in a speech on June 24, 2004,

...we're preparing Ontario to lead in both knowledge and innovation. The... government knows that information, invention, and innovation are the new pillars of economic strength and success that create more wealth, increase our prosperity, and achieve a standard of living that is second to none.

The Institute has incorporated commercialization issues in its mission and plans.

Administration and Governance

The Institute was incorporated on August 28, 2001 as a not for profit corporation with Roger L. Martin as Chairman of the Board of Directors (see page 8).

The objects of the corporation are the same as the Mission of the Institute as set out above in Section 1.2 (see page 3).

Core Businesses

The incorporation papers of the Institute provide the framework for identifying four core businesses which are the focus of this business plan:

1. Secretariat Function:

To establish and maintain a Task Force on competitiveness, productivity, and economic progress.

2. Economic Policy Research Function:

To create a framework to assess Ontario's competitiveness, productivity and economic progress and to develop indicators to measure Ontario's competitiveness, productivity and economic progress compared with the other provinces and the US states.

3. Consultation and Communications Function:

To consult, raise awareness and educate the public and a broad range of stakeholders in all regions of the province on competitiveness issues in general and the work of the Task Force in particular.

4. Administration Function:

To maintain an office and a range of services in support of the functions of the Institute.

Accomplishments and Commitments

The Institute met or exceeded all of the key commitments identified in the Business Plan for 2012-2013:

- Published Annual Report 11, *A push for growth: The time is now*, November 2012
- Published White Paper, *Bringing “dead cash” back to life*, March 2013

Other Activities

In addition, the Institute is planning on expanding The Big Ideas: Creativity, Design and Innovation Camp. This project was launched at the end of 2012, when ICP applied to the Federal Economic Development Agency for Southern Ontario, through its Youth STEM Initiative, for funding to pilot a series of innovation summer camps for youth aged 10-13. The intent was to expose youth to the tools for invention and commercialization early on in their lives, and in so doing to empower them to go on to create the innovative businesses that our economy needs to thrive.

Over January and February of 2013, we adapted the Rotman School’s Business Design pedagogy to a youth audience, designing and testing iteratively.

In March 2013, we ran a beta test of a week-long camp, using Rotman instructors, to evaluate the program design and pedagogy.

The objective of the camp is to engage youth in the process of creativity, design and innovation in the context of business. This camp gives youth an opportunity to apply their knowledge of science, technology, engineering and math to the development of products or services that meet deep, but unarticulated customer needs.

Over the pilot phase, this project will engage 750 youth, create 2 new full-time permanent positions and 15 full-time seasonal jobs.

Performance Measures

Core Business	2012-2013 Commitments	Results
Establish and maintain a Task Force	<p>Hold four Task Force meetings</p> <p>Collect data on public interest in the Task Force and its members through website metrics and media coverage</p>	<p>Task Force meetings held in June, September, December, and March</p> <p>Website metrics and media and political coverage presented to the Task Force at each meeting</p>
Economic Policy and Research	<p>Develop recommendations for innovative tax policy</p> <p>Determine the extent and impact of 'dead cash' in corporations and provide appropriate policy recommendations</p> <p>Continue building research and analysis on innovation to inform our competitiveness research</p>	<p>Incorporated Dual Income Tax recommendation and other tax incentives in Annual Report 11, <i>A push for growth</i>, published November 2012</p> <p>Published White Paper, <i>Bringing 'dead cash' back to life'</i> in March 2013</p> <p>Positive impact on public policy, especially at the provincial level</p>
Consultation and Communications	<p>Publish Eleventh Annual Report</p> <p>Publish at least one White Paper.</p> <p>Continue to track website traffic.</p>	<p>Annual Report 11, <i>A push for growth</i>, published November 2012</p> <p>White Paper, <i>Bringing 'dead cash' back to life'</i>, published in March 2013</p> <p>Incorporated Google Analytics and continuously tracked website traffic and metrics</p>
Administration	<p>Business plan approved by Board by end of October 2012</p>	<p>Approved</p>

The Institute for Competitiveness & Prosperity, Board of Directors

Name	Affiliation
Professor Roger L. Martin, <i>Chairman of the Board</i>	University of Toronto
Jamison Steeve <i>President and Secretary</i>	Institute for Competitiveness & Prosperity
Dr. Chris Riddle, <i>Member</i>	Consultant on Innovation and Competitiveness & Not-for-Profit Corporate Management
Martha Tory, <i>Treasurer</i>	Ernst & Young
Michael Akkawi, <i>Member</i>	Torys
Suzanne Spragge, <i>Member</i>	University of Toronto

Members of the Task Force on Competitiveness, Productivity and Economic Progress

Name	Affiliation
Professor Roger L. Martin, (Chairman)	Dean of the Joseph L. Rotman School of Management at the University of Toronto
John Armstrong	Managing Partner of The Capital Markets Company (Capco)
Timothy D. Dattels	Director of TPG Capital
Lisa de Wilde	Chief Executive Officer of TVOntario
David Folk	Managing General Partner of Jefferson Partners
Suzanne Fortier	President of Natural Sciences and Engineering Research Council of Canada (NSERC)
Gordon Homer	President of Gordon J. Homer Advisory Services

Tom Jenkins	Executive Chairman and Chief Strategy Officer of Open Text Corporation
David Keddie	President of National Compressed Air
Jacques Ménard, O.C.	Chairman of BMO Nesbitt Burns
Mark Mullins	Veras Inc.
Timothy H. Penner	
Daniel Trefler	Research Associate at the Institute for Policy Analysis, University of Toronto, and Canadian Pacific Fellow at the Canadian Institute for Advanced Research

Institute Staff

Executive Director

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Researchers

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Melissa Pogue
Ashleigh Ryan
Dorinda So

General Inquiries

416 946.7300

Questions or comments about the Institute for Competitiveness & Prosperity's business plan are welcomed. Visit www.CompeteProsper.ca or call the offices as listed above.

Sponsoring Ministry

- October 2011 - Present: Ontario Ministry of Economic Development, Trade and Employment
- October 2003 - October 2011: Ontario Ministry of Economic Development and Trade
- April 2002 - October 2003: Ontario Ministry of Enterprise, Opportunity and Innovation
- September 2001 - April 2002: Ontario Ministry of Economic Development and Trade

Financial Statements and Auditors' Report

See inserted statements.

**INSTITUTE FOR COMPETITIVENESS
AND PROSPERITY**

FINANCIAL STATEMENTS

APRIL 30, 2013

INDEPENDENT AUDITOR'S REPORT

To the Members,
Institute for Competitiveness and Prosperity

Report on the Financial Statements

We have audited the accompanying financial statements of Institute for Competitiveness and Prosperity which comprise the statement of financial position as at April 30, 2013, and the statements of changes in net assets, operations 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 Competitiveness and Prosperity as at April 30, 2013, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Accountants
Licensed Public Accountants

October 22, 2013
Toronto, Ontario

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

STATEMENT OF FINANCIAL POSITION

AS AT APRIL 30, 2013

	2013	2012
ASSETS		
Current assets		
Cash	\$ 298,963	\$ 214,664
Short-term investments (notes 4 and 5)	20,000	
Accounts receivable	6,701	488
Sales tax recoverable	21,125	56,371
Prepaid expenses	<u>3,654</u>	<u>10,480</u>
	<u>\$ 350,443</u>	<u>\$ 282,003</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 63,408	\$ 20,374
Deferred contributions (note 6)	<u>287,035</u>	<u>261,629</u>
	<u>350,443</u>	<u>282,003</u>
Net assets		
Unrestricted	<u>nil</u>	<u>nil</u>
	<u>\$ 350,443</u>	<u>\$ 282,003</u>

Approved on behalf of the Board:

_____, Director

_____, Director

see accompanying notes

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

STATEMENT OF OPERATIONS AND CHANGES IN UNRESTRICTED NET ASSETS

FOR THE YEAR ENDED APRIL 30, 2013

	2013	2012
REVENUE		
Government funding (note 7)	\$ 902,762	\$ 1,071,843
Contract research and other fees (note 9)	<u>33,307</u>	<u>47,811</u>
	<u>936,069</u>	<u>1,119,654</u>
EXPENSES		
Personnel	433,250	725,851
Youth STEM Initiative program (note 7)	247,303	
Communication supplies and services	91,675	182,114
Occupancy costs	69,744	96,761
Other services	30,237	46,166
Supplies	22,752	16,328
Consulting fees	21,021	31,916
Task force and other meetings	14,537	17,568
Training and development	<u>5,550</u>	<u>2,950</u>
	<u>936,069</u>	<u>1,119,654</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	nil	nil
Unrestricted net assets, beginning of year	<u>nil</u>	<u>nil</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ nil</u>	<u>\$ nil</u>

see accompanying notes

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED APRIL 30, 2013

	2013	2012
OPERATING ACTIVITIES		
Cash received from operations:		
Excess of revenue over expenses for the year	\$ nil	\$ nil
Add back (deduct) non-cash items-		
Amortization of capital assets		6,694
Amortization of capital contributions		(6,694)
Net change in working capital items (see below)	<u>104,299</u>	<u>(32,795)</u>
Net cash generated from (used for) operations	104,299	(32,795)
INVESTING ACTIVITIES		
Purchase of short-term investment	<u>(20,000)</u>	<u> </u>
NET CASH INCREASE (DECREASE) IN THE YEAR	84,299	(32,795)
Cash, beginning of year	<u>214,664</u>	<u>247,459</u>
CASH, END OF YEAR	<u>\$ 298,963</u>	<u>\$ 214,664</u>

Net change in non-cash working capital items:

Decrease (increase) in current assets-		
Accounts receivable	\$ 29,033	\$ 9,869
Prepaid expenses	6,826	16,001
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	43,034	6,485
Deferred contributions	<u>25,406</u>	<u>(65,150)</u>
	<u>\$ 104,299</u>	<u>\$ (32,795)</u>

see accompanying notes

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2013

1. THE ORGANIZATION

The Institute for Competitiveness and Prosperity (the Institute) is a not-for-profit organization incorporated in the Province of Ontario without share capital. The Institute is exempt from income tax in Canada as a not-for-profit organization under Section 149(1)(L) of the Income Tax Act (Canada).

Through the provision of support to Ontario's Task Force on Competitiveness, Productivity and Economic Progress, the Institute measures and monitors Ontario's competitiveness compared to other Canadian provinces and selected American states.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations on a basis consistent with preceding years. Outlined below are those policies considered particularly significant:

Financial instruments

Financial instruments include cash, short-term investments, accounts receivable, accounts payable and accrued liabilities. Cash is measured at fair value. Fixed income securities that are quoted in an active market are measured at fair value. Changes in fair value are recognized in net income as unrealized gains and losses. All other financial instruments are recorded at cost.

Capital assets

Capital assets are recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives, currently three years on a straight line basis.

Revenue recognition

The Institute follows the deferral method of revenue recognition. Its principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

- i) Contributions related to current expenditures are reflected in the accounts as revenue in the current year. Contributions received in the year for expenses to be incurred in the following fiscal year are recorded as deferred contributions. Contributions related to the purchase of capital assets are recorded as capital contributions in the same period the related assets are charged to operations.
- iii) Contract research and other fees and related expenses are recognized in the period the services are performed and the costs incurred.
- iii) Investment income is recognized in the period earned.

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2013

3. FINANCIAL RISKS

Financial instruments expose the Institute to risks which may affect the cash flows of the organization. Specifically:

Interest rate risk is the risk that fluctuations in interest rates will reduce the Institute's cash flow from investments. The Institute's marketable securities include fixed rate instruments with maturities that are generally reinvested as they mature. The Institute has exposure to interest rate movements that occur beyond the term of maturity of the fixed rate investments.

Credit risk arises from the possibility that research contract fees are not paid. Fee receivables are monitored and followed-up by management to minimize the risk of lost revenue.

Liquidity risk is the risk that the Institute will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the organization's cash requirements.

It is management's opinion that the Institute is not exposed to significant interest rate, credit or liquidity risks.

4. SHORT-TERM INVESTMENTS

Short-term investments comprise a guaranteed investment certificate issued by a major Canadian chartered bank carried at cost plus accrued interest. The certificate bears interest at 0.0% and matures in November 2015.

5. BANK LINE OF CREDIT

The Institute has a credit card with a \$17,500 credit limit. Unpaid balances bear interest at 19.99%. The Institute has pledged a guaranteed investment certificate of \$20,000 as collateral for the credit card.

As at April 30, 2013 none of the line of credit was drawn down.

6. DEFERRED CONTRIBUTIONS

Deferred contributions comprise the following:

	2013	2012
Ontario Ministry of Economic Development and Innovation	\$ 106,170	\$ 261,629
Federal Economic Development Agency	<u>180,865</u>	<u> </u>
Deferred contributions, end of period	<u>\$ 287,035</u>	<u>\$ 261,629</u>

Continuity of deferred contributions for the year is as follows:

Deferred contributions, beginning of year	\$ 261,629	\$ 333,472
Add cash received from government funding	928,168	1,000,000
Less government funding recognized (note 7)	<u>(902,762)</u>	<u>(1,071,843)</u>
Deferred contributions, end of year	<u>\$ 287,035</u>	<u>\$ 261,629</u>

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2013

7. GOVERNMENT FUNDING

Government funding recognized in the year was as follows:

	2013	2012
Ontario Ministry of Economic Development and Innovation	\$ 655,459	\$ 1,071,843
Federal Economic Development Agency	<u>247,303</u>	<u> </u>
	<u>\$ 902,762</u>	<u>\$ 1,071,843</u>

The Institute has entered into a funding agreement with the Ontario Ministry of Economic Development and Innovation to March 31, 2015. Any excess of contributions received over eligible expenses at the end of the funding period is refundable.

The Institute has entered into a funding agreement with the Federal Economic Development Agency for Southern Ontario for the Youth STEM Initiative program to support outreach activities to stimulate youth's interest in science, technology, engineering and mathematics. The grant is for the period January 1, 2013 to March 31, 2014.

8. LEASE COMMITMENT

The Institute has been allocated office space by the University of Toronto for an undefined period or for as long as the Institute exists. The rental rate and overhead charge are determined and communicated to the Institute on an annual basis by the Rotman School Financial Services Office.

9. RELATED PARTY

The Institute is related to the Martin Prosperity Institute, a department of the Rotman School of Management of the University of Toronto, in that both organizations share the same Executive Director, administrative staff and offices and the Chairman of the Board of the Institute was the Dean of the Rotman School of Management until July 1, 2013 and is now the Academic Director of the Martin Prosperity Institute.

Amounts payable or receivable from transactions in the normal course of operations with the Martin Prosperity Institute are non-interest bearing, payable on demand and unsecured. No amounts were due from or payable to the Martin Prosperity Institute at April 30, 2013 (\$nil at April 30, 2012).

The Institute periodically enters into contracts with the Martin Prosperity Institute to provide research services. The research services are billed to the Martin Prosperity Institute at Institute direct cost. No contracts for services were billed in 2013 or 2012.