

**INSTITUTE FOR COMPETITIVENESS &
PROSPERITY**

Annual Report 2014-2015
For the year ended April 30, 2015

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Message from the Chair



I am pleased to present the 2015-2016 Business Plan of the Institute for Competitiveness and Prosperity. As you know, this is my first year as Chair. I am proud of the work we have done in the past and I am pleased to take on this new role.

The Institute's prime purpose is to establish and maintain the Task Force/Advisory Board to be appointed by the new Chair Tiff Macklem. This body will replace the Task Force on Competitiveness, Productivity and Economic Progress which was announced in Ontario's Speech from the Throne in 2001. We expect this new body to be in place in advance of the Institute's Annual Report in November.

As we look back on the past year, we accomplished three main goals. First, the Institute delivered a high quality report on health care policy reform that continues to drive policy change and conversations in that realm. It remains the most read paper we have ever produced. Second, we released Roger Martin's final Annual Report. After thirteen years, the last report served as a wonderful capstone on Roger's work with the Institute. Finally, through the hard work of this Board, Roger Martin and Executive Director Jamison Steeve, we secured a two-year funding agreement with the Government of Ontario. This will allow the Institute to continue its valuable work in the months ahead.

The plan for the coming year is bold and aggressive. With the new funding agreement in place, we were able to secure a full staff compliment. As a result, the Institute will be producing a number of working papers on key issues (job retention funds, infrastructure, scaling up businesses, cluster policy), as well as a refreshed annual report. We look forward to working with Dean Tiff Macklem and the newly composed Task Force/Advisory Board.

We will continue to strengthen our efforts at communicating our findings and recommendations to Ontarians to ensure we are having a significant impact in increasing Ontario's competitiveness, productivity and capacity for innovation. Now, more than ever, our mission is critical to the future fiscal and economic health of the province.

Martha Tory, Chair

Background

Vision

Through the provision of support to the newly formed Task Force/ Advisory Board, 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/ Advisory Board 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/ Advisory Board.

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.

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. In November 2014, Roger Martin disbanded the Task Force. The Government of Ontario, along with newly appointed Chair Tiff Macklem, are in the process of establishing a new Task Force/ Advisory Board.

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.

The objects of the corporation are the same as the Mission of the Institute as set out above on page 2.

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/ Advisory Board 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/ Advisory Board in particular.

4. Administration Function:

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

Relationship with Ontario Government

Through the Ministry of Economic Development, the Ontario Government renewed their agreement for funding for the Institute in December 2004. The agreement defined the deliverables from the Institute and funding from the Ministry until April 30, 2007. The Institute obtained funding extensions from the Ministry on April 30, 2007 for the periods May 1 to December 31, 2007, and short-term extensions from January 1, 2008 to January 1, 2009. In 2009, the Ministry and the Institute agreed to a new three-year mandate. In 2012, we agreed to a three-year funding agreement for the period, April 1, 2012 – March 31, 2015. In 2015, we agreed to a two-year funding agreement for the period, April 1, 2015 – March 31, 2017.

Accomplishments and Commitments

The Institute fulfilled the following key commitments identified in the Business Plan for 2014-2015:

- Published Working Paper 20, *Building better health care: Policy opportunities for Ontario*
- Published Annual Report 13, *Finding its own way: Ontario needs to take a new tack*
- Published 13 blog posts

Performance Measures

Core Business	Strategic Goal	Performance Measure	2015-16 Commitments
<p>Establish and maintain a Task Force</p>	<p>Task Force cited as a leading authority on Ontario's competitiveness and related issues including productivity, innovation, and commercialization.</p>	<p>Task Force mandate reviewed and changed, if necessary.</p> <p>Task Force membership reviewed and changed, if necessary.</p> <p>Profile and credibility of Task Force maintained at a high level.</p> <p>Quality and quantity of references to Task Force (citations).</p>	<p>Task Force review completed in 2009/10. No specific commitments for this year.</p>

Core Business	Strategic Goal	Performance Measure	2015-16 Commitments
Economic Policy and Research	Robust framework created to assess Ontario's competitiveness including innovation and commercialization.	<p>Research agenda completed on time for Task Force to incorporate in annual report.</p> <p>Positive impact on public policy, especially at provincial level.</p>	<p>Continue building research and analysis on innovation to inform our competitiveness research</p> <p>Fulfilment of our research agenda as outlined previously</p>
Consultation and Communications	Stakeholders cite the Institute as an important source of information on Ontario's competitiveness, innovation, and commercialization.	<p>Stakeholders aware and informed of Institute and Task Force.</p> <p>Reports and working papers published on schedule.</p> <p>Statistics on press coverage and Web site visits.</p>	<p>Publish Fourteenth Annual Report</p> <p>Publish at least four Working Papers.</p> <p>Continue to track and improve website traffic, social media hits, and email blasts.</p>
Administration	Effective and efficient administrative support provided for each of the Institute's core businesses.	<p>Annual report of the corporation produced on schedule.</p> <p>Institute passes all audits.</p> <p>Satisfactory record of performance evaluations.</p> <p>Institute following Ministry guidelines on contracts with external vendors.</p>	<p>Business plan approved by Board by end of October 2015.</p> <p>Audit completed and financial results presented to Board by October 2015.</p> <p>Engage in conversation with government regarding the future of the Institute.</p>

Core Business	Strategic Goal	Performance Measure	2015-16 Commitments
			Ensure that the Institute is following proper protocols with respect to contracts with external vendors.

The Institute for Competitiveness & Prosperity, Board of Directors

Name	Affiliation
Martha Tory <i>Chairman of the Board</i>	Formerly at Ernst & Young
Jamison Steeve <i>President and Secretary</i>	Institute for Competitiveness & Prosperity
Marko Trivun <i>Member</i>	Torys
Suzanne Spragge <i>Member</i>	University of Toronto
Jim Milway <i>Member</i>	Archdiocese of Toronto

Institute Staff

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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.

Financial Statements and Auditor's Report
See inserted statements

**INSTITUTE FOR COMPETITIVENESS
AND PROSPERITY**

FINANCIAL STATEMENTS

APRIL 30, 2015

INDEPENDENT AUDITOR'S REPORT

To the Members,
Institute for Competitiveness and Prosperity

We have audited the accompanying financial statements of the Institute for Competitiveness and Prosperity which comprise the statement of financial position as at April 30, 2015, and the statements operations and changes in unrestricted 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 the Institute for Competitiveness and Prosperity as at April 30, 2015, 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.

Conporthwaite Mehta

Chartered Accountants
Licensed Public Accountants

October 5, 2015
Toronto, Ontario

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

STATEMENT OF FINANCIAL POSITION

AS AT APRIL 30, 2015

	2015	2014
ASSETS		
Current assets		
Cash	\$ 344,894	\$ 264,633
Short-term investments (notes 3 and 4)	20,000	20,000
Accounts receivable	7,552	4,894
Government funding receivable (note 6)		98,432
Sales tax recoverable	14,770	33,942
Prepaid expenses	<u>3,451</u>	<u>3,476</u>
	<u>\$ 390,667</u>	<u>\$ 425,377</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 80,565	\$ 192,796
Deferred contributions (note 6)	<u>310,102</u>	<u>232,581</u>
	<u>390,667</u>	<u>425,377</u>
Net assets		
Unrestricted	<u>nil</u>	<u>nil</u>
	<u>\$ 390,667</u>	<u>\$ 425,377</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, 2015

	2015	2014
REVENUE		
Government funding (note 7)	\$ 672,479	\$ 1,584,616
Contract research and other fees	<u>45</u>	<u>102,262</u>
	<u>672,524</u>	<u>1,686,878</u>
EXPENSES		
Youth STEM Initiative program (note 7)		744,564
Personnel	522,885	602,016
Communication supplies and services	60,373	217,238
Occupancy costs	31,854	35,303
Consulting fees	15,835	23,963
Other services	14,204	23,649
Task force and other meetings	10,470	14,440
Supplies	9,357	17,938
Training and development	<u>7,546</u>	<u>7,767</u>
	<u>672,524</u>	<u>1,686,878</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, 2015

	2015	2014
OPERATING ACTIVITIES		
Cash received from operations:		
Excess of revenue over expenses for the year	\$ nil	\$ nil
Net change in working capital items (see below)	<u>80,261</u>	<u>(34,330)</u>
NET CASH INCREASE (DECREASE) IN THE YEAR	80,261	(34,330)
Cash, beginning of year	<u>264,633</u>	<u>298,963</u>
CASH, END OF YEAR	<u>\$ 344,894</u>	<u>\$ 264,633</u>
Net change in non-cash working capital items:		
Decrease (increase) in current assets-		
Accounts receivable	\$ (2,658)	\$ 1,807
Government funding receivable	98,432	(98,432)
Sales tax recoverable	19,172	(12,817)
Prepaid expenses	25	178
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	(112,231)	129,388
Deferred contributions	<u>77,521</u>	<u>(54,454)</u>
	<u>\$ 80,261</u>	<u>\$ (34,330)</u>

see accompanying notes

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2015

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.

1. 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. Outlined below are those policies considered particularly significant:

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.

Revenue recognition

The principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

- i) The Institute follows the deferral method of revenue recognition for contributions. Contributions related to current expenses 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.
- ii) Contract research and other fees and related expenses are recognized in the period the services are performed and the costs incurred.
- iii) Interest income is recognized in the period earned.

2. FINANCIAL INSTRUMENTS AND RELATED FINANCIAL RISKS

The Institute records financial instruments, which include cash, short-term investments, accounts receivable and accounts payable and accrued liabilities, initially at fair value. Subsequently, financial instruments are recorded at cost plus accrued interest and less any provision for impairment.

The following are those financial instruments considered particularly significant and their related financial risks:

- i) Accounts receivable are regularly monitored to minimize credit risk from uncollected revenue. The organization's losses from uncollected revenue have been minimal.
- ii) Fluctuations in market interest rates do not result in significant interest rate risks affecting future cash flows from fixed rate guaranteed investment certificates.
- iii) The organization expects to meet its financial obligations for accounts payable and accrued liabilities through cash flows from operations.

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2015

3. SHORT-TERM INVESTMENTS

Short-term investments comprise a guaranteed investment certificate issued by a major Canadian chartered bank. The certificate bears interest at 0.0% and matures in November 2015 (see note 4).

4. 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 (see note 3).

As at April 30, 2015 none of the line of credit was drawn down.

5. 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.

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, 2015 (\$nil at April 30, 2014).

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 the Institute's direct cost. No contracts for services were billed in 2015 or 2014.

6. DEFERRED CONTRIBUTIONS

Deferred contributions comprise the following:

	2015	2014
Ontario Ministry of Economic Development, Employment and Infrastructure	<u>\$ 310,102</u>	<u>\$ 232,581</u>

Continuity of deferred contributions for the year is as follows:

Deferred contributions, beginning of year	\$ 232,581	\$ 287,035
Add (decrease) increase in government funding receivable	(98,432)	98,432
Add cash received from government funding	848,432	1,431,730
Less government funding recognized (note 7)	<u>(672,479)</u>	<u>(1,584,616)</u>
Deferred contributions, end of year	<u>\$ 310,102</u>	<u>\$ 232,581</u>

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2015

7. GOVERNMENT FUNDING

Government funding recognized in the year was as follows:

	2015	2014
Ontario Ministry of Economic Development, Employment and Infrastructure	\$ 672,479	\$ 873,589
Less reimbursement for contract services earned	<u> </u>	<u>(33,537)</u>
Net Ontario Ministry of Economic Development, Employment and Infrastructure funding earned	672,479	840,052
Federal Economic Development Agency	<u> </u>	<u>744,564</u>
	<u>\$ 672,479</u>	<u>\$ 1,584,616</u>

The Institute has entered into a funding agreement with the Ontario Ministry of Economic Development, Employment and Infrastructure effective June 5, 2015 to March 31, 2017. Any excess of contributions received over eligible expenses at the end of the funding period is refundable.

The Institute 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 program was completed in March, 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.