

**INSTITUTE FOR COMPETITIVENESS &
PROSPERITY
ANNUAL REPORT**

Annual Report 2015-2016
For the year April 30, 2016

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Message from the Chair



I am pleased to present the 2016-2017 Business Plan of the Institute for Competitiveness and Prosperity. I am pleased to continue in this role as we enter the final year of our current funding agreement with the government of Ontario.

Much changed at the Institute over the past year. Our Executive Director, Jamison Steeve, oversaw a successful turnover of our talented policy team. We are back to full capacity and producing at an all-time high in quantity and quality. The Institute is now providing research support to a new body called Ontario's Panel on Economic Growth & Prosperity. This Panel is chaired by Rotman School of Management Dean Tiff Macklem. We look forward to working with Tiff and his colleagues.

Some things, however, have not changed. That includes the nature of our work. This past year saw the Institute produce five working papers, one annual report, numerous blogs and, a new product for us, quarterly reports. As always, we are proud of the nature of our research and the impact of our thoughts.

For the year ahead, the hallmarks of the Institute will be reach, relationships and relevancy. The Institute will broaden its communications reach through a more mature and advanced use of social media, along with strategic speaking opportunities. We will deepen our relationships with government and other thought leaders here in Ontario. Finally, we will strive to improve our relevance by tackling the big issues of the day and offering up concrete and implementable policy advice.

The research agenda for the coming year will include subjects such as clusters, cap and trade implications, and addressing the skills gap. Furthermore, the Institute will look to partner with the private sector and produce a "forecast" for the Ontario economy.

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 Ontario's Panel on Economic Growth & Prosperity (the "Panel"), 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 Panel 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 Panel 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 Panel.

Establishment of Ontario's Panel on Economic Growth & Prosperity

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.

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 established the Ontario's Panel of Economic Growth & Prosperity to replace the Task Force. The inaugural meeting took place in January 2016 and the new members of the Panel was announced in 2016.

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. As Roger L. Martin stepped down from the Task Force and Board in 2015, Martha Tory was voted as the Chairman of the Board of Directors [See Appendix A].

The objects of the corporation are the same as the Mission of the Institute as set out above in Section 1.2 (see 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 Panel 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 Panel 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 fulfilled the following key commitments identified in the Business Plan for 2015-16:

- Published Working Paper 21, “Open for business: Strategies for improving Ontario’s business attractiveness” (*May 2015*)
- Published Working Paper 22, “Better foundations: The returns on infrastructure investment in Ontario” (*September 2015*)
- Published Annual Report 14, “Disruptions ahead: The making of a dynamic and resilient Ontario economy” (*November 2015*)
- Published Working Paper 23, “A place to grow: Scaling up Ontario’s firms” (*January 2016*)
- Published Working Paper 24, “License to innovate? Permission granted for the government of Ontario” (*February 2016*)
- Published Working Paper 25, “Toward a low-carbon economy: The costs and benefits of cap-and-trade” (*April 2016*)
- Published two Quarterly Reports (*Fall 2015; Winter 2016*)
- Published 26 blog posts.

Performance Measures

Core Business	2015-16 Commitments	Results
Establish and maintain a Task Force/Advisory Board. Awaiting appointment of members.	Task Force/ Advisory Board review completed in 2009/10. No specific commitments for this year.	Established the Ontario's Panel on Economic Growth and Prosperity. First meeting took place in January 2016, with additional members announced later that year.
Economic Policy and Research	Continue building research and analysis on innovation to inform our competitiveness research Fulfilment of our research agenda as outlined previously.	Publications outlined in previous section.
Consultation and Communications	Publish Fourteenth Annual Report Publish at least four Working Papers. Continue to track and improve website traffic, social media hits, and email blasts.	Published 5 Working Papers and the Fourteenth Annual Report. Website, email, and social media stats continue to be tracked.
Administration	Business plan approved by Board by end of October 2015. Audit completed and financial results presented to Board by October 2015. Engage in conversation with government regarding the future of the Institute. Ensure that the Institute is following proper protocols with respect to contracts with external vendors.	Business plan approved by Board during October 2015 board meeting. Audit completed and presented to the Board during October 2015 board meeting. Continue to engage Ontario government on new funding agreement. Developed procurement policy for the Institute.

Governance

Ontario's Panel of Economic Growth & Prosperity

Name	Affiliation
Tiff Macklem, <i>Chair</i>	Joseph L. Rotman School of Management
John Armstrong*	Slalom Inc.
Kilian Berz	The Boston Consulting Group
Stephen Carlisle	General Motors of Canada Company
Marvin DeVries	Trojan Technologies Inc.
Samuel Duboc	Business Development Bank of Canada
Robert Hardt	Siemens Canada
Stu Kedwell	RBC Global Asset Management
Marcia Moffat	BlackRock Asset Management
Tim Penner*	Procter & Gamble (1999-2011)
Joanna Rotenberg	BMO Financial Group
Andrea Stairs Krishnappa	eBay Canada
Dan Trefler*	Canadian Institute for Advanced Research
Annette Verschuren, O.C.	NRStor Inc.

**Member of the former Task Force on Competitiveness, Productivity and Economic Progress*

Board of Directors

The Institute for Competitiveness & Prosperity, Board of Directors

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

Institute Staff

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Weiru Shi

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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, 2016

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, 2016, 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, 2016, 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 4, 2016
Toronto, Ontario

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

STATEMENT OF FINANCIAL POSITION

AS AT APRIL 30, 2016

	2016	2015
ASSETS		
Current assets		
Cash	\$ 141,550	\$ 344,894
Short-term investments (notes 2 and 3)	20,000	20,000
Accounts receivable	20,764	7,552
Sales tax recoverable	27,842	14,770
Prepaid expenses	<u>4,092</u>	<u>3,451</u>
	<u>\$ 214,248</u>	<u>\$ 390,667</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 127,563	\$ 80,565
Deferred contributions (note 5)	<u>86,685</u>	<u>310,102</u>
	<u>214,248</u>	<u>390,667</u>
Net assets		
Unrestricted	<u>nil</u>	<u>nil</u>
	<u>\$ 214,248</u>	<u>\$ 390,667</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, 2016

	2016	2015
REVENUE		
Government funding	\$ 900,416	\$ 672,479
Contract research and other fees	<u>67,059</u>	<u>45</u>
	<u>967,475</u>	<u>672,524</u>
EXPENSES		
Personnel	602,933	522,885
Communication supplies and services	200,061	60,373
Occupancy costs	55,736	31,854
Consulting fees	26,293	15,835
Supplies	24,251	9,357
Task force and other meetings	21,165	10,470
Other services	18,940	14,204
Training and development	<u>18,096</u>	<u>7,546</u>
	<u>967,475</u>	<u>672,524</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, 2016

	2016	2015
OPERATING ACTIVITIES		
Cash received from operations:		
Excess of revenue over expenses for the year	\$ nil	\$ nil
Net change in non-cash working capital items (see below)	<u>(203,344)</u>	<u>80,261</u>
NET CASH INCREASE (DECREASE) IN THE YEAR	(203,344)	80,261
Cash, beginning of year	<u>344,894</u>	<u>264,633</u>
CASH, END OF YEAR	<u><u>\$ 141,550</u></u>	<u><u>\$ 344,894</u></u>

Net change in non-cash working capital items:

Decrease (increase) in current assets-		
Accounts receivable	\$ (13,212)	\$ (2,658)
Government funding receivable	nil	98,432
Sales tax recoverable	(13,073)	19,172
Prepaid expenses	(642)	25
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	46,999	(112,231)
Deferred contributions	<u>(223,416)</u>	<u>77,521</u>
	<u><u>\$ (203,344)</u></u>	<u><u>\$ 80,261</u></u>

see accompanying notes

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2016

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).

The Institute's purpose is to deepen public understanding of macro and microeconomic factors behind Ontario's economic progress. The advisory body to the Institute is the Ontario's Panel on Economic Growth & Prosperity. The Panel's purpose is to measure and monitor Ontario's economic progress by examining the province's relative productivity and competitiveness in today's market. 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.

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:

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.

Financial instruments

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.

2. SHORT-TERM INVESTMENTS

Short-term investments comprise a guaranteed investment certificate issued by a major Canadian chartered bank. The certificate bears interest at 0.95% and matures in April 15, 2019 (see note 3).

3. BANK LINE OF CREDIT

The Institute has a credit card with a \$20,000 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 2).

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2016

4. 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, 2016 (\$nil at April 30, 2015).

5. DEFERRED CONTRIBUTIONS

Deferred contributions comprise the following:

	2016	2015
Ontario Ministry of Economic Development and Growth	<u>\$ 86,685</u>	<u>\$ 310,102</u>

Continuity of deferred contributions for the year is as follows:

Deferred contributions, beginning of year	\$ 310,102	\$ 232,581
Add (decrease) increase in government funding receivable	nil	(98,432)
Add cash received from Ontario Ministry of Economic Development and Growth	676,999	848,432
Less government funding recognized	<u>(900,416)</u>	<u>(672,479)</u>
Deferred contributions, end of year	<u>\$ 86,685</u>	<u>\$ 310,102</u>

6. 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.