

**INSTITUTE FOR COMPETITIVENESS &
PROSPERITY
ANNUAL REPORT**

Annual Report 2017-2018
For the year April 30, 2018

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Message from the Chair



I am pleased to present the 2018-19 Business Plan of the Institute for Competitiveness and Prosperity. I also look forward to continuing in this role as we complete another three-year funding agreement with the Government of Ontario, which concludes on June 30, 2020.

This past year was very productive. We focused on the power of people in Ontario – from the immigrants who are coming to the province, to the CEOs who run major corporations, and those who participate the least in our labour force (e.g., women, Indigenous peoples, seniors, and immigrants) but have much to give. We heard from our readers, policy makers and business leaders that talent is a key economic driver for Ontario and our research over the past year reflects that fact.

Over our decade and a half of existence, we have learned where the Institute can add the most value. We believe that lending data, rigorous academic research and analysis to rhetorical debates is one way in which we can achieve our mandate and educate the public discourse. That is why this year’s research agenda will focus on what is required to build the much discussed innovative economy. Our first two papers of the year will focus on the commercialization gap in Ontario, and the future of trade and artificial intelligence. The second half of the year will focus on cluster research, a historical strength for the Institute.

In addition, we are proud to host the 21st TCI Network Global Conference in Toronto (or “TCI 2018”) in October. This will provide us with the opportunity to promote the Institute, put all of Canada’s good work on clusters in the international spotlight, and learn from leaders around the globe.

With a significant reduction in our funding from the province, we will be seeking opportunities to partner with organizations to round out our research and tap into their resources and audience pools. We will continue to strengthen our efforts at communicating our findings and recommendations to Ontarians to ensure that we are having a significant impact on increasing Ontario’s competitiveness, productivity, and capacity for innovation. As always, we will maintain our high standards in quality and accuracy. 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 2017-18:

- Published Working Paper 28, “Immigration in Ontario: Achieving best outcomes for newcomers and the economy” (*June 2017*)
- Published Working Paper 29, “The labour market shift: Training a highly skilled and resilient workforce in Ontario” (*September 2017*)
- Published Working Paper 30, “The future is not destiny: CEO perspectives on realizing Ontario’s potential” (*September 2017*)
- Published White Paper, “Strategies for international success: Lessons from 6 Canadian firms” (*November 2017*)
- Published Annual Report 16, “Strength in numbers: Targeting labour force participation to improve prosperity in Ontario” (*December 2017*)
- Published Working Paper 31, “The final leg: How Ontario can win the innovation race” (*April 2018*)

Performance Measures

Core Business	2017-18 Commitments	Results
<p>Establish and maintain a Task Force/Advisory Board. Awaiting appointment of members.</p>	<p>Meetings will occur 3 times annually.</p> <p>Panel will continue to produce the Annual Report on Ontario. Quantity of references expected to increase with the release of the Future of Ontario Working Paper.</p>	<p>Panel meetings occurred January, April, September, and December 2016.</p> <p>Panel referenced in Annual Report 15 in November 2016.</p>
<p>Economic Policy and Research</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>	<p>Publications outlined in previous section.</p>
<p>Consultation and Communications</p>	<p>Speak at 12+ engagements.</p> <p>Publish Sixteenth Annual Report.</p> <p>Publish at least four Working Papers.</p> <p>Continue to be cited as an important and relevant source.</p> <p>Continue to track and improve website traffic, social media hits, and email blasts.</p>	<p>Spoke at 12 engagements (presentations, briefings, launches, and conferences)</p> <p>Published 3 Working Papers, a white paper, and the Fifteenth Annual Report.</p> <p>Cited and published in 24 sources.</p> <p>Website, email, and social media stats continue to be tracked.</p>
<p>Administration</p>	<p>Business plan to be approved by Board March 2017.</p> <p>Audit and financial results presented to Board by October 2017.</p>	<p>Business plan approved by Board at March 2017 board meeting.</p> <p>Audit completed and presented to the Board during October 2017 board meeting.</p>

	<p>Maintain relationship with Ministry with updates and communications as needed.</p> <p>Ensure that the Institute is following proper protocols with respect to contracts with external vendors.</p>	<p>Next funding agreement signed and awaiting execution.</p> <p>Procurement protocol was approved by the board during the October 2017 meeting.</p>
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Governance

Ontario's Panel of Economic Growth & Prosperity

Name	Affiliation
Tiff Macklem, <i>Chair</i>	Joseph L. Rotman School of Management
John Armstrong*	KPMG
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

Executive Director

Jamison Steeve
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J.Steeve@competeprosper.ca

Executive Assistant

Valeria Sladojevic-Sola

Researcher Director

Dorinda So

Policy Analysts

Philippa French
Julia Hawthornthwaite
Christopher Mack
Saad Usmani

Administrative Coordinator (part-time)

Sally Yeung

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.

Financial Statements and Auditor's Report

See inserted financial statements.

**INSTITUTE FOR COMPETITIVENESS
AND PROSPERITY**

FINANCIAL STATEMENTS

APRIL 30, 2018

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, 2018, 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, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Conporthwaite Mehta

Chartered Professional Accountants
Licensed Public Accountants

November 7, 2018
Toronto, Ontario

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

STATEMENT OF FINANCIAL POSITION

AS AT APRIL 30, 2018

	2018	2017
ASSETS		
Current assets		
Cash	\$ 308,864	\$ 98,174
Short-term investment	-	20,000
Accounts receivable	7,057	1,244
Sales tax recoverable	30,230	26,488
Prepaid expenses (note 2)	<u>21,842</u>	<u>12,954</u>
	<u>\$ 367,993</u>	<u>\$ 158,860</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 25,079	\$ 40,923
Due to University of Toronto (note 3)	109,675	-
Deferred contributions (note 5)	32,433	117,937
Deferred conference revenue (note 2)	<u>200,806</u>	<u>-</u>
	<u>367,993</u>	<u>158,860</u>
Net assets		
Unrestricted	<u>nil</u>	<u>nil</u>
	<u>\$ 367,993</u>	<u>\$ 158,860</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, 2018

	2018	2017
REVENUE		
Government funding - Core (note 4)	\$ 755,504	\$ 868,750
TCI Global Conference (note 2)	105,600	-
Contract research and other (note 6)	<u>45,500</u>	<u>199</u>
	<u>906,604</u>	<u>868,949</u>
EXPENSES		
Personnel	552,879	578,900
Communication supplies and services	149,048	176,198
TCI Global Conference (note 2)	111,719	-
Occupancy costs	30,062	36,022
Consulting fees	21,301	15,775
Training and development	16,131	22,955
Communication supplies and services	9,314	10,339
Supplies	8,712	18,671
Task force and other meetings	<u>7,438</u>	<u>10,089</u>
	<u>906,604</u>	<u>868,949</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, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess of expenses over revenue for the year	\$ nil	\$ nil
Net change in non-cash working capital items (see below)	<u>81,015</u>	<u>(43,376)</u>
Net cash generated from (used for) operating activities	81,015	(43,376)
INVESTING ACTIVITIES		
Redemption of short-term investment	<u>20,000</u>	<u>-</u>
FINANCING ACTIVITIES		
Proceeds from loan from University of Toronto	<u>109,675</u>	<u>-</u>
NET CASH INCREASE (DECREASE) IN THE YEAR	210,690	(43,376)
Cash, beginning of year	<u>98,174</u>	<u>141,550</u>
CASH, END OF YEAR	<u><u>\$ 308,864</u></u>	<u><u>\$ 98,174</u></u>

Net change in non-cash working capital items:

Decrease (increase) in current assets-		
Accounts receivable	\$ (5,812)	\$ 19,520
Sales tax recoverable	(3,743)	1,354
Prepaid expenses	(8,887)	(8,862)
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	(15,845)	(86,637)
Deferred contributions	(85,504)	31,249
Deferred conference revenue	<u>200,806</u>	<u>-</u>
	<u><u>\$ 81,015</u></u>	<u><u>\$ (43,376)</u></u>

see accompanying notes

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2018

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 and stimulate debate on a range of issues related to competitiveness and prosperity. The advisory body to the Institute is the Ontario's Panel on Economic Growth & Prosperity. The Panel's mandate is to measure and monitor Ontario's competitiveness compared to its peer jurisdictions and to report to the public on a regular basis.

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. Contributed materials and services which are normally purchased by the Institute are not recorded in the accounts.
- ii) Contract research and other revenue 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, 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. TCI GLOBAL CONFERENCE

The annual TCI Global Conference (the Conference) brings together experts and provides a forum to create progress in the practice of cluster development, regional competitiveness and innovation support. The Institute has been selected to host the 2018 TCI Global Conference, which will be held in October 2018. As of April 30, 2018, the Institute had received a contribution of \$105,600 from the Ontario Ministry of Economic Development and Growth (the Ministry), which has been fully recognized as revenue. As of April 30, 2018, the Institute recognized expenses of \$111,719 related to planning for the Conference.

As at April 30, 2018, sponsorship and ticket sales of \$200,806 had been received and recorded as deferred conference revenue. In addition, prepayments of \$13,725 were made for services to be received during the Conference and have been recorded as prepaid expenses.

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2018

3. DUE TO UNIVERSITY OF TORONTO

The Institute received financing from the University of Toronto to pay for expenses related to the planning of the TCI Global Conference. The loan is non-interest bearing and has no fixed repayment terms.

4. GOVERNMENT FUNDING - CORE

The Institute entered into a funding agreement covering core operations with the Ministry effective June 5, 2015 to March 31, 2017 that was extended to June 30, 2017. A new three-year funding agreement began on July 1, 2017 at an annual funding envelope amount of \$750,000. Any excess of contributions received over eligible expenses at the end of the funding period is refundable.

During the year, the Institute received \$675,000 related to the new agreement effective July 1, 2017 and the Institute returned \$5,000 of unspent core funding related to the agreement that ended on June 30, 2017. In the prior year, the Institute received \$900,000.

5. DEFERRED CONTRIBUTIONS

Deferred contributions comprise the following:

	2018	2017
Ontario Ministry of Economic Development and Growth	<u>\$ 32,433</u>	<u>\$ 117,937</u>

Continuity of deferred contributions for the year is as follows:

Deferred contributions, beginning of year	\$ 117,937	\$ 86,687
Less amount returned to Ministry	(5,000)	-
Add cash received from Ontario Ministry of Economic Development and Growth	675,000	900,000
Less government funding recognized	<u>(755,504)</u>	<u>(868,750)</u>
Deferred contributions, end of year	<u>\$ 32,433</u>	<u>\$ 117,937</u>

6. 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, 2018 and 2017.

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. In fiscal 2018, a contract for services of \$13,000 was billed. No contracts for services were billed in fiscal 2017.

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2018

7. 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.