# INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

FINANCIAL STATEMENTS

APRIL 30, 2009

# INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

## STATEMENT OF FINANCIAL POSITION

## AS AT APRIL 30, 2009

| | 2009 | 2008 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash | $ 173,787 | $ 207,235 |
| Accounts receivable | 2,425 | 16,989 |
| Contribution receivable (note 5) | 249,917 | 83,250 |
| Prepaid expenses | 19,803 | 7,323 |
| | 445,932 | 314,797 |
| Property and equipment (note 6) | 8,690 | 13,970 |
| | $ 454,622 | $ 328,767 |
| **LIABILITIES AND NET ASSETS** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | $ 59,698 | $ 34,003 |
| Deferred contributions and revenue (note 5) | 386,234 | 280,794 |
| | 445,932 | 314,797 |
| Deferred capital contribution (note 7) | 8,690 | 13,970 |
| | 454,622 | 328,767 |
| Net assets | | |
| Unrestricted | nil | nil |
| | $ 454,622 | $ 328,767 |

Approved on behalf of the Board:

Marta Tory, Director

_______________, Director

see accompanying notes

# INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

## STATEMENT OF OPERATIONS AND NET ASSETS

## FOR THE YEAR ENDED APRIL 30, 2009

| | 2009 | 2008 |
|---|---|---|
| **REVENUE** | | |
| Ministry funding (note 8) | $ 999,258 | $ 882,131 |
| Contract research and other fees (note 10) | 225,095 | 38,483 |
| Interest | 2,587 | 3,493 |
| | 1,226,940 | 924,107 |
| **EXPENSES** | | |
| Personnel | 762,243 | 562,429 |
| Communication supplies and services | 227,422 | 183,648 |
| Other services | 95,385 | 85,658 |
| Supplies (note 6) | 52,424 | 26,258 |
| Occupancy costs | 43,940 | 41,576 |
| Task force and other meetings | 34,044 | 13,012 |
| Consulting fees | 8,600 | 5,786 |
| Training and development | 2,882 | 5,740 |
| | 1,226,940 | 924,107 |
| **EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR** | nil | nil |
| Net assets, beginning of year | nil | nil |
| **NET ASSETS, END OF YEAR** | $ nil | $ nil |

see accompanying notes

# INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

## STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED APRIL 30, 2009

| | 2009 | 2008 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Cash received from operations: | | |
| Excess (deficiency) of revenue over expenses for the year | $ nil | $ nil |
| Add back (deduct) non-cash items- | | |
| Amortization of capital assets | 9,581 | 9,664 |
| Amortization of capital grant | (9,581) | (9,664) |
| Net change in working capital items (see below) | (33,448) | 70,610 |
| Net cash generated from (used for) operations | (33,448) | 70,610 |
| **INVESTING AND FINANCING ACTIVITIES** | | |
| Capital grant received | 4,301 | 4,295 |
| Purchase of property and equipment | (4,301) | (4,295) |
| Net cash used for investments and financing | nil | nil |
| **NET CASH INCREASE (DECREASE) IN THE YEAR** | (33,448) | 70,610 |
| Cash, beginning of year | 207,235 | 136,625 |
| **CASH, END OF YEAR** | $ 173,787 | $ 207,235 |

| **Net change in working capital items:** | | |
|---|---|---|
| Increase in accounts receivable | $ (152,103) | $ (55,773) |
| Decrease (increase) in prepaid expenses | (12,480) | 8,171 |
| Increase (decrease) in accounts payable and accrued liabilities | 25,695 | (5,026) |
| Increase in deferred operating grant | 105,440 | 123,238 |
| | $ (33,448) | $ 70,610 |

see accompanying notes

## 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.

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

The accounting policies of the Institute are in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year. Outlined below are those policies considered particularly significant:

**Financial Instruments**
The Institute classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Institute's accounting policy for each category is as follows:

*Held-for-trading* - This category comprises cash and interest bearing savings accounts. These investments are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations.

*Other financial assets and liabilities* - Other financial assets and liabilities are carried at cost, which approximates their fair value due to their short-term nature.

**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) Government 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 revenue. Contributions related to the purchase of capital assets are recorded as revenue 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 as earned. Increases and decreases in market value of investments held-for-trading are recognized as investment income (losses) in the period in which they occur.

**Property and Equipment**
Property and equipment is recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives, currently 3 years on a straight line basis.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Use of Estimates**

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they become known.

## 3. FINANCIAL INSTRUMENTS

The Institute's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. It is management's opinion that the Institute is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values.

## 4. MANAGEMENT OF CAPITAL

In managing capital, the Institute focuses on liquid resources available for operations. The Institute's objective is to have sufficient liquid resources to continue operating despite adverse events with financial consequences and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at April 30, 2009 the Institute had met its objective of having sufficient liquid resources to meet its current obligations.

## 5. CONTRIBUTIONS RECEIVABLE AND DEFERRED OPERATING CONTRIBUTIONS

Contributions receivable from the Ontario Ministry of Economic Development and Trade (the "Ministry") is for funding for the period January 1, 2009 to April 30, 2009 that had not yet been received at April 30, 2009.

Deferred contributions and revenue includes contributions received and receivable from the Ministry that are available to cover operating expenses of future periods.

## 6. PROPERTY AND EQUIPMENT

Property and equipment, recorded at cost, is as follows:

| | Cost | Accumulated Amortization | 2009 Net | 2008 Net |
|---|---|---|---|---|
| Office equipment and furniture | $ 72,248 | $ (69,101) | $ 3,147 | $ 8,480 |
| Computer equipment | 58,516 | (52,973) | 5,543 | 5,490 |
| Computer software | 4,840 | (4,840) | nil | nil |
| | $ 135,604 | $ (126,914) | $ 8,690 | $ 13,970 |

Supplies includes a charge for amortization of furniture and equipment of $9,581 for the year ended April 30, 2009 (a charge of $9,664 for the year ended April 30, 2008).

## 7. DEFERRED CAPITAL CONTRIBUTION

The deferred capital contribution represents the unamortized portion of Ministry funds used for acquisition of the long-term software licence agreement and for purchase of property and equipment.

Continuity of the deferred capital contributions for the period is as follows:

| | 2009 | 2008 |
|---|---|---|
| Deferred capital grant, beginning of year | $ 13,970 | $ 19,339 |
| Add Ministry funding received for property and equipment | 4,301 | 4,295 |
| Less capital grant recognized in year (note 8) | (9,581) | (9,664) |
| Deferred capital grant, end of year | $ 8,690 | $ 13,970 |

## 8. MINISTRY FUNDING

The Institute has entered into a funding agreement with the Ministry through March 31, 2012. Any excess of contributions received over eligible expenses at the end of the funding period is repayable to the Ministry.

Funding from the Ministry received in the year is recognized in these financial statements as follows:

| | 2009 | 2008 |
|---|---|---|
| Ministry funding recognized as revenue in the year: | | |
| Non-capital portion | $ 989,677 | $ 872,467 |
| Capital portion (note 7) | 9,581 | 9,664 |
| Total Ministry funding recognized as revenue in the year | 999,258 | 882,131 |
| Increase (decrease) in Ministry funding deferred in the year: | | |
| Deferred contributions related to Ministry funding) | 6,022 | 123,238 |
| Deferred capital contribution | (5,280) | (5,369) |
| Total increase (decrease) in Ministry funding deferred | 742 | 117,869 |
| Ministry contributions in the year to fund equipment purchases and operations | $ 1,000,000 | $ 1,000,000 |

## 9. LEASE COMMITMENT

The Institute rents office space under a lease agreement to April 30, 2010. Lease payments over the remaining term of the lease, including the Institute's estimated share of property tax and utilities, are $35,300.

## 10. 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 and administrative staff and the Chairman of the Board of the Institute is the Dean of the Rotman School of Management.

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, 2009 and April 30, 2008.

During 2009 the Institute entered into a contract with the Martin Prosperity Institute to provide research services for a total of $294,800 (no services were rendered in the year ended April 30, 2008). The research services, billed to the Martin Prosperity Institute at Institute direct cost, were completed, billed and payment was received in the year.

## 11. INCOME TAX STATUS

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).

## 12. RECENT CANADIAN ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET ADOPTED

Recent amendments to Section 4400, Financial Statement Presentation by Not-for-Profit Organizations, will modify the requirements with respect to various elements of financial statement presentation. These amendments include the elimination of the requirement to treat net assets invested in capital assets as a separate component of net assets. The new standard applies to financial statements relating to the fiscal years beginning on or after January 1, 2009.

This standard has been adopted effective May 1, 2008 and results in elimination of disclosure of net assets invested in capital assets, which had a $nil balance.