

Institute for Competitiveness & Prosperity

Annual Report 2007 - 08
For the Year Ended April 30, 2008

Institute for Competitiveness & Prosperity

Annual Report 2007-2008

Message from the Chair

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Message from the Chair



I am pleased to present the 2007-08 Annual Report of the Institute for Competitiveness & 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.

In our first seven years, 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 continue to publish our research findings and syntheses and communicate them to stakeholders in Ontario's prosperity through a variety of media.

In this latest year we increased our presence in the Canadian discussion on competitiveness and prosperity. We extended our research to examine the relationship between prosperity, inequality and poverty with the publication of our tenth working paper. We continued to urge stakeholders in Ontario's economic progress to adopt a 2020 prosperity agenda and published our sixth Annual Report, *Path to the 2020 Prosperity Agenda*. We held our third national conference – *Setting Our Sights* in Toronto in April with excellent attendance by senior decision makers in the public and private sectors. We were asked to contribute to the Competition Policy Review Panel with research on the effect of head offices and national champions on the local economies and their importance to our prosperity.

The Institute is playing a key role in support of the Rotman School's Martin Prosperity Institute in the development of major strategy and policy recommendations on the future of Ontario's workforce.

As we look forward we intend to continue our research agenda into measuring and monitoring Ontario's competitiveness and prosperity. We 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 of the Board

The Institute for Competitiveness and 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.

... 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 (see page 11).

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 maintain the Task Force.

Administration and Governance

The Institute was incorporated in Ontario on August 28, 2001 as a not-for-profit corporation with Roger L. Martin as Chairman of the Board of Directors (see page 9).

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 U.S. 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

1. 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.
2. To conduct activities and carry out such other complementary purposes as are consistent with the establishment and maintenance of the Task Force.

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 U.S. states.
3. Consultation and Communications Functions: 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.

To publish interim, special and annual reports on behalf of the Task Force.

4. Administration Function: To maintain an office and to provide a range of services in support of the functions of the Institute.

Accomplishments and Commitments

The Institute met the key commitments identified in the Business Plan for 2007-08 which was approved by the Board on October 1, 2007.

Deliverables to April 2008 (Fiscal Year 2007-08):

- Published special report, *Strengthening management for prosperity*, May 2007;
- Published special report, *Assessing Toronto's financial services cluster*, June 2007;
- Published Working Paper 10, *Prosperity, inequality, and poverty*, September 2007;
- Publish Sixth Annual Task Force Report, *Path to the 2020 Prosperity Agenda*, November 2007;
- Published Report on Canada 2007 , *Setting our sights on Canada's 2020 Prosperity Agenda*, April 2007;
- Held *Setting our sights* conference in Toronto, April 2007

The Global Competitiveness Report

The Institute for Competitiveness and Prosperity, in partnership with the University of Toronto's Rotman School of Management, is the Canadian partner for the World Economic Forum's Global Competitiveness Report. The Global Competitiveness Report, which has been published annually since 1979, is a worldwide research project completed in conjunction with the World Economic Forum. An important part of this annual research report is the Executive Opinion Survey. Working with partner institutes around the world the World Economic Forum surveys senior executives from a cross-section of businesses in 131 countries. Results of the Executive Opinion Survey provide much richer country-specific information than is available through 'hard' data sources and are key components of the competitiveness indices developed by the Forum.

The Institute conducted the Canadian surveys for the 2007-08 report and publicized the results after they were released in October 2007.

Core Business	2007-08 Commitments	Results
Maintain a Task Force	<p>Co-ordinate review of role of Task Force with Chairman and MEDT. Implement any changes in membership or processes once review is complete. Finalization may cross in to next fiscal year</p> <p>Hold Four Task Force Meetings.</p>	<p>In progress</p> <p>Task Force meetings held in June, September and December. March's Task Force meeting was scheduled but cancelled due to lack of attendance.</p>
Economic Policy Research	<p>Deepen understanding of relationship between prosperity overall and equity of distribution.</p> <p>Review all components of waterfall for analytical improvement opportunities.</p> <p>Update cluster data to reflect NAICS.</p>	<p>Assessed the relationship between prosperity, inequality and poverty in Working Paper 10.</p> <p>Ongoing</p> <p>Complete by Sept. '08</p>
Consultation and Communications	<p>Ongoing improvement to Institute's new Web site.</p> <p>Publish Sixth Annual Report.</p> <p>Publish at least one working paper.</p> <p>Hold third conference on Canada's competitiveness and prosperity</p>	<p>Updated billing forms and we are currently exploring ways to re-organize the cluster data section of the website.</p> <p>Published Sixth Annual Report, <i>Path to the 2020 Prosperity Agenda</i> November '07.</p> <p>Published Working Paper, <i>Prosperity, inequality, and poverty</i>, September '07.</p> <p>Published Report on Canada, <i>Setting our sights on Canada's 2020 Prosperity Agenda</i>, April '08</p>
Administration	Business plan approved by	Business Plan approved by the

Core Business	2007-08 Commitments	Results
	Board by end of October 2007.	Board on October 1, 2007.

Members of the Board of Directors

Roger L. Martin Chairman of the Board	University of Toronto
Martha Tory Treasurer	Ernst & Young
Michael Akkawi Member	Torys
Suzanne Spragge Member	University of Toronto
Chris Riddle Member	BioDiversity Toronto; Consultant on Science & Technology, Innovation and Competitiveness; former Executive Director of the Institute

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

Roger L. Martin (Chairman)	Dean of the Joseph L. Rotman School of Management at the University of Toronto
James L. Balsillie	Chairman and Co-Chief Executive Officer of Research in Motion Limited
Timothy D. Dattels	Managing Director of Newbridge Capital, LLC, the Asian investment vehicle for Texas Pacific Group
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
David Johnston	President of the University of Waterloo
David Keddie	President of National Compressed Air in Lively, Ontario

Mark Mullins	Executive Director of the Fraser Institute
Timothy H. Penner	President of Procter & Gamble Inc.
Daniel Treffler	Research Associate at the Institute for Policy Analysis, University of Toronto, and Canadian Pacific Fellow at the Canadian Institute for Advanced Research

Institute Staff

Mr. James Milway,	Executive Director
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Researchers:

Mr. Tamer Azer
Ms. Anam Kidwai
Mr. Aaron Meyer
Ms. Sana Nisar
Ms. Adrienne Ross
Ms. Daniela Scur
Ms. Ying (Sunny) Sun

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Sponsoring Ministry

- October 2003 - present: Ontario Ministry of Economic Development and Trade
- April 2002 - October 2003: Ontario Ministry of Enterprise, Opportunity and Innovation
- September 2001 - April 2008: Ontario Ministry of Economic Development and Trade

Financial Statements and Auditors' Report

See inserted statements.

**INSTITUTE FOR COMPETITIVENESS
AND PROSPERITY**

FINANCIAL STATEMENTS

APRIL 30, 2008

AUDITORS' REPORT

To the Members,
Institute for Competitiveness and Prosperity

We have audited the statement of financial position of Institute for Competitiveness and Prosperity as at April 30, 2008 and the statements of operations and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Institute as at April 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Cowperthwaite Mehta

Chartered Accountants
Licensed Public Accountants

August 6, 2008
Toronto, Ontario

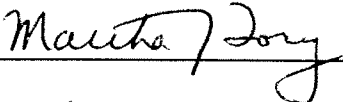
INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

STATEMENT OF FINANCIAL POSITION

AS AT APRIL 30, 2008

	2008	2007
ASSETS		
Current assets		
Cash	\$ 207,235	\$ 136,625
Accounts receivable	16,989	44,467
Grant receivable (note 4)	83,250	
Prepaid expenses	<u>7,323</u>	<u>15,494</u>
	314,797	196,586
Property and equipment (note 5)	<u>13,970</u>	<u>19,339</u>
	<u>\$ 328,767</u>	<u>\$ 215,925</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 34,003	\$ 39,030
Deferred operating grant (note 4)	<u>280,794</u>	<u>157,556</u>
	314,797	196,586
Deferred capital grant (note 6)	<u>13,970</u>	<u>19,339</u>
	<u>328,767</u>	<u>215,925</u>
Net assets		
Invested in property and equipment	nil	nil
Unrestricted	<u>nil</u>	<u>nil</u>
	<u>nil</u>	<u>nil</u>
	<u>\$ 328,767</u>	<u>\$ 215,925</u>

Approved on behalf of the Board:


_____, Director


_____, Director

see accompanying notes

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

STATEMENT OF OPERATIONS AND NET ASSETS

FOR THE YEAR ENDED APRIL 30, 2008

	2008	2007
REVENUE		
Government funding (note 7)	\$ 882,131	\$ 1,003,948
Contract research and other fees	38,483	69,242
Interest	<u>3,493</u>	<u>3,757</u>
	<u>924,107</u>	<u>1,076,947</u>
EXPENSES		
Personnel	562,429	632,127
Communication supplies and services	183,648	199,315
Other services (note 5)	85,658	152,351
Occupancy costs	41,576	34,445
Supplies (note 5)	26,258	26,751
Task force and other meetings	13,012	21,273
Training and development	5,740	4,924
Consulting fees	<u>5,786</u>	<u>5,761</u>
	<u>924,107</u>	<u>1,076,947</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	nil	nil
Net assets, beginning of year	<u>nil</u>	<u>nil</u>
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, 2008

	2008	2007
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	9,664	32,489
Amortization of capital grant	(9,664)	(32,489)
Net change in working capital items (see below)	<u>70,610</u>	<u>(8,818)</u>
Net cash generated from operations	<u>70,610</u>	<u>(8,818)</u>
INVESTING AND FINANCING ACTIVITIES		
Capital grant received	4,295	17,748
Purchase of property and equipment	<u>(4,295)</u>	<u>(17,748)</u>
Net cash used for investments and financing	<u>nil</u>	<u>nil</u>
NET CASH INCREASE (DECREASE) IN THE YEAR	70,610	(8,818)
Cash, beginning of year	<u>136,625</u>	<u>145,443</u>
CASH, END OF YEAR	<u>\$ 207,235</u>	<u>\$ 136,625</u>
Net change in working capital items:		
Decrease (increase) in accounts receivable	\$ (55,773)	\$ (23,549)
Decrease (increase) in prepaid expenses	8,171	(8,196)
Increase (decrease) in accounts payable and accrued liabilities	(5,026)	12,134
Increase (decrease) in deferred operating grant	<u>123,238</u>	<u>10,793</u>
	<u>\$ 70,610</u>	<u>\$ (8,818)</u>

see accompanying notes

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2008

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. Outlined below are those policies considered particularly significant:

Revenue Recognition

The Institute follows the deferral method of revenue recognition. Under the deferral method, grants received in the year for expenses to be incurred in the following year are recorded as deferred revenue.

Government assistance related to current expenditures is reflected in the accounts as a revenue item in the current year. Assistance related to the purchase of property and equipment is recorded as revenue in the same period the related property and equipment is charged to operations.

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 as follows:

Office equipment and furniture	- 3 years straight line basis
Computer equipment	- 3 years straight line basis
Computer software	- 3 years straight line basis
Software licence agreement	- 5 years straight line basis

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.

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2008

4. GRANT RECEIVABLE AND DEFERRED OPERATING GRANT

The grant receivable from the Ontario Ministry of Economic Development and Trade (the "Ministry") is for funding for the month of January 2008 not yet received at April 30, 2008.

The deferred operating grant represents funds received and receivable from the Ministry that are available to cover operating expenses of future periods.

5. PROPERTY AND EQUIPMENT

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

	Cost	Accumulated Amortization	2008 Net	2007 Net
Office equipment and furniture	\$ 72,248	\$ (63,768)	\$ 8,480	\$ 12,130
Computer equipment	54,214	(48,724)	5,490	7,209
Computer software	<u>4,840</u>	<u>(4,840)</u>	<u>nil</u>	<u>nil</u>
	<u>\$ 131,302</u>	<u>\$ (117,332)</u>	<u>\$ 13,970</u>	<u>\$ 19,339</u>

Supplies includes a charge for amortization of furniture and equipment of \$9,664 for the year ended April 30, 2008 (a charge of \$5,990 for the year ended April 30, 2007).

The Software licence agreement was fully amortized to operations in 2007. Other services includes a charge for amortization of the software licence agreement of \$nil the year ended April 30, 2008 (a charge of \$26,499 for the year ended April 30, 2007).

6. DEFERRED CAPITAL GRANT

The deferred capital grant 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 grant for the period is as follows:

	2008	2007
Deferred capital grant, beginning of year	\$ 19,339	\$ 34,080
Add government funding received for property and equipment	4,295	17,748
Less capital grant recognized in year (note 7)	<u>(9,664)</u>	<u>(32,489)</u>
Deferred capital grant, end of year	<u>\$ 13,970</u>	<u>\$ 19,339</u>

INSTITUTE FOR COMPETITIVENESS AND PROSPERITY

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2008

7. GOVERNMENT FUNDING

The Institute has entered into a funding agreement with the Ministry through December 31, 2007 (see also note 9). Any excess of grants 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:

	2008	2007
Government funding recognized as revenue in the year:		
Non-capital portion	\$ 876,762	\$ 971,459
Capital portion (note 6)	<u>5,369</u>	<u>32,489</u>
Total government funding recognized as revenue in the year	<u>882,131</u>	<u>1,003,948</u>
Increase (decrease) in government funding deferred in the year:		
Deferred operating grant	123,238	10,793
Deferred capital grant	<u>(5,369)</u>	<u>(14,741)</u>
Total increase (decrease) in government funding deferred	<u>117,869</u>	<u>(3,948)</u>
Government funding received in the year to fund equipment purchases and operations	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

8. LEASE COMMITMENTS

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 as follows:

2009	\$ 35,300
2010	<u>35,300</u>
	<u>\$ 70,600</u>

9. SUBSEQUENT EVENTS

Ministry funding under the current funding agreement expired on April 30, 2008. The Institute obtained a funding extension from the Ministry on April 30, 2008 for the period May 1, 2008 through September 30, 2008. The Institute is currently holding discussions with the Ministry to extend the Institute's mandate beyond September 31, 2008. Management is of the opinion that the Institute's mandate, together with appropriate funding, will be extended.

The Institute's Software licence agreement expired in fiscal 2007. The licensor has indicated willingness to extend the license agreement. Negotiation of license terms and conditions have been underway since the Software licence agreement expired.

10. 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).
