

**CANADIAN FOUNDATION FOR ADVANCEMENT OF INVESTOR RIGHTS
(FAIR CANADA)**

YEAR ENDED JUNE 30, 2017

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Chartered Professional Accountants
Chartered Accountants
Licensed Public Accountants
Business Advisors

INDEPENDENT AUDITORS' REPORT

To the directors of

CANADIAN FOUNDATION FOR ADVANCEMENT OF INVESTOR RIGHTS (FAIR CANADA)

We have audited the accompanying financial statements of Canadian Foundation for Advancement of Investor Rights (FAIR Canada), which comprise the statement of financial position as at June 30, 2017 and the statements of revenues and expenses, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility

The Board of Directors 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.

Auditors' 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 auditors' judgement, 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 in our audit 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 Canadian Foundation for Advancement of Investor Rights (FAIR Canada) as at June 30, 2017 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.

Stern Cohen LLP

Chartered Professional Accountants
Chartered Accountants
Licensed Public Accountants
Toronto, Canada
September 27, 2017

CANADIAN FOUNDATION FOR ADVANCEMENT OF INVESTOR RIGHTS (FAIR CANADA)

STATEMENT OF REVENUES AND EXPENSES

For the year ended June 30,	2017	2016
	\$	\$
Revenues		
Donations	633,779	204,140
Cy-pres awards	-	7,948
Interest income	14,462	4,422
Project funding	83,116	-
	<u>731,357</u>	<u>216,510</u>
Expenses		
Compensation and benefits	460,445	579,983
Project expenditures	64,949	-
Occupancy costs	41,511	43,474
Communications and marketing	40,666	57,877
General and administrative	27,141	29,607
Travel and meetings	21,711	14,611
Professional fees	9,277	9,533
Research and consultations	7,306	6,132
	<u>673,006</u>	<u>741,217</u>
Excess (deficiency) of revenues over expenses for the year	<u>58,351</u>	<u>(524,707)</u>

See accompanying notes.



CANADIAN FOUNDATION FOR ADVANCEMENT OF INVESTOR RIGHTS (FAIR CANADA)

STATEMENT OF CHANGES IN NET ASSETS

For the year ended June 30, 2017	Unrestricted \$	Endowment Fund \$	Total \$
Beginning of year	1,179,482	4,154,311	5,333,793
Excess of revenues over expenses for the year	58,351	-	58,351
Net income from investments held for Endowment Fund (Note 2)	-	157,823	157,823
Transfer from Endowment Fund	84,556	(84,556)	-
Disendowment of funds (Note 2)	2,012,706	(2,012,706)	-
End of year	3,335,095	2,214,872	5,549,967

For the year ended June 30, 2016	Unrestricted \$	Endowment Fund \$	Total \$
Beginning of year	1,606,236	4,129,509	5,735,745
Deficiency of revenues over expenses for the year	(524,707)	-	(524,707)
Net income from investments held for Endowment Fund (Note 2)	-	122,755	122,755
Transfer from Endowment Fund	97,953	(97,953)	-
End of year	1,179,482	4,154,311	5,333,793

See accompanying notes.



CANADIAN FOUNDATION FOR ADVANCEMENT OF INVESTOR RIGHTS (FAIR CANADA)

STATEMENT OF CASH FLOW

For the year ended June 30,	2017 \$	2016 \$
Operating activities		
Excess (deficiency) of revenues over expenses for the year	58,351	(524,707)
Net change in non-cash working capital balances related to operations	(12,696)	34,768
Cash from (required by) operations	45,655	(489,939)
Investing activities		
Disbursement from Endowment Fund	84,556	97,953
Financing activities		
Disendowment of funds	2,012,706	-
Transfer to restricted cash	(1,519,845)	-
	492,861	-
Change in cash during the year	623,072	(391,986)
Cash and cash equivalents		
Beginning of year	1,222,126	1,614,112
End of year	1,845,198	1,222,126

See accompanying notes.



CANADIAN FOUNDATION FOR ADVANCEMENT OF INVESTOR RIGHTS (FAIR CANADA)

(Incorporated under the laws of Canada without share capital)


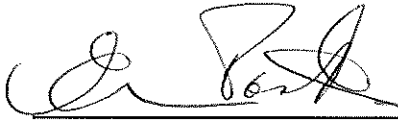
STATEMENT OF FINANCIAL POSITION

As at June 30,	2017 \$	2016 \$
ASSETS		
Current assets		
Cash and cash equivalents	1,845,198	1,222,126
Accounts receivable	5,142	-
Investments held for Endowment Fund (Note 2)	2,214,872	4,154,311
Sales taxes recoverable	18,349	11,634
Prepaid expenses	6,725	8,380
	4,090,286	5,396,451
Restricted cash (Note 4)	1,519,845	-
	5,610,131	5,396,451
LIABILITIES		
Accounts payable	35,402	62,658
Deferred revenue (Note 3)	24,762	-
	60,164	62,658
NET ASSETS		
Unrestricted	3,335,095	1,179,482
Endowment Fund (Note 2)	2,214,872	4,154,311
	5,549,967	5,333,793
	5,610,131	5,396,451

Other information (Note 5)

See accompanying notes.

Approved on behalf of the Board:



 Director Director



Purpose of the Foundation

The Canadian Foundation for Advancement of Investor Rights (the "Foundation") is incorporated without share capital as a not-for-profit organization continued under the Canada Not-for-Profit Corporations Act (CNCA). The Foundation acts to advance education about capital markets, savings, investments and investment practices by conducting research and publishing findings, and by providing conferences, roundtables and symposia, to the public, governments and regulators.

The Foundation is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act (Canada). The Foundation operates under the name FAIR Canada.

1. Significant accounting policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO) and include the following significant accounting policies:

(a) *Cash and cash equivalents*

Cash and cash equivalents consists of cash and guaranteed investment certificates, with maturities not exceeding 90 days, with insignificant risk of changes in value.

(b) *Revenue recognition*

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets in the year.

Interest income is recognized on the accrual basis.

(c) *Investments held for Endowment Fund*

Investments held for Endowment Fund consist of marketable securities, cash and cash equivalents and are recorded at fair value with gains and losses recognized directly in net assets. The fair value is determined on the basis of quoted market prices.

CANADIAN FOUNDATION FOR ADVANCEMENT OF INVESTOR RIGHTS (FAIR CANADA)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

1. Significant accounting policies (cont'd)

(d) *Use of estimates*

The preparation of financial statements in accordance with ASNFPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the year. Actual results could differ from these estimates.

(e) *Financial instruments*

The Foundation initially measures its financial assets and financial liabilities at fair value. The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments that are quoted in an active market, which are measured at fair value.

Financial assets measured at amortized cost consist of cash and cash equivalents, restricted cash and accounts receivable. Financial liabilities measured at amortized cost consists of accounts payable and deferred revenue. Financial assets measured at fair value consists of Investments held for Endowment Fund.

2. **Endowment Fund**

In the 2014 fiscal year, the Foundation received \$2,000,000 from the Jarislowsky Foundation ("JF") to establish an Endowment Fund for the purpose of providing operating funds to the Foundation. Under the terms of the agreement, the Foundation must raise an additional \$4,000,000 in matching contributions to add to the Endowment Fund, with the exact amount of the matching Contribution required to be 200 percent of the market value of the original capital as of the Matching Gift Deadline. Should the required matching contributions not be received by the deadline, JF has the right to call for the return, within 10 days of the Matching Gift Deadline, of the original capital at its market value plus the net income earned from the Endowment Fund less any disbursements from the Endowment Fund, based on the disbursement policy set out in the agreement.

In the 2015 fiscal year, the Foundation received \$2,000,000 of the required matching contributions from the Ontario Securities Commission ("OSC") which is subject to the completion of the terms of the JF Endowment Fund. The OSC's right to call for the return of the OSC's endowment contribution is the same as stated in the JF endowment fund agreement except that the return of such funds to the OSC must be made within 40 days.

CANADIAN FOUNDATION FOR ADVANCEMENT OF INVESTOR RIGHTS (FAIR CANADA)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

2. Endowment Fund (cont'd)

The Foundation has received an extension of the Matching Gift Deadline from JF until September 30, 2018.

The OSC has expressed its support to leave the \$2,000,000 contribution with FAIR Canada and encourages FAIR Canada's continued fundraising efforts with third parties. The conditions were revised December 9, 2016 such that OSC's endowment contribution is no longer endowed and FAIR Canada can draw from the funds to cover its operating expenses as long as the draw does not exceed \$500,000 per annum without the prior written approval of the Commission.

As of year-end the respective Endowment Funds are comprised of the following:

	JF \$	OSC \$	Total \$
Beginning of year	2,146,011	2,008,300	4,154,311
Net income from investments held for Endowment Fund	153,417	4,406	157,823
Disbursements from Endowment Fund	(84,556)	-	(84,556)
Disendowment of funds	-	(2,012,706)	(2,012,706)
End of year	2,214,872	-	2,214,872

Net income from investments held for Endowment Fund for the year is comprised of the following:

	2017 \$	2016 \$
Interest	24,808	33,032
Dividends	10,120	11,438
Foreign income	37,152	32,645
Fair value gain on investments	104,479	66,706
Less: management fees	(17,699)	(20,455)
Less: withholding tax	(1,037)	(611)
	157,823	122,755

CANADIAN FOUNDATION FOR ADVANCEMENT OF INVESTOR RIGHTS (FAIR CANADA)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

3. **Deferred revenue**

The Foundation records restricted funds as deferred revenue until they are expended for the purpose of the funding.

	2017 \$	2016 \$
Opening balance - deferred revenue	-	-
Add: current year funding received	107,878	-
Less: revenue recognized	(83,116)	-
Ending balance - deferred revenue	<u>24,762</u>	-

4. **Restricted cash**

The OSC funds are held in a separate account. As of June 30, 2017 the funds total \$2,019,845 of which \$500,000 can be used in the next fiscal year for operating purposes and are included with cash and cash equivalents. The balance of \$1,519,845 is restricted until subsequent years. As of year end there has been no draw on the original OSC contribution.

5. **Other information**

(a) *Lease commitments*

The Foundation occupies three offices under a lease agreement with monthly payments totalling approximately \$3,100, which expires in December 2017, with the option to continue to occupy the space under a month to month lease thereafter. Additional office space is rented on a month to month basis, as required.



5. Other information (cont'd)

(b) *Financial instruments*

The Foundation is exposed to the following significant financial risks:

i) *Market risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Foundation is mainly exposed to currency risk and interest rate risk.

ii) *Currency risk*

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in the foreign exchange rates. As at June 30, 2017, marketable securities balances of \$1,434,735 (2016: \$1,339,520) are shown in US dollars converted into Canadian dollars.

iii) *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk with respect to its investments in interest bearing financial instruments. The Foundation does not use derivative financial instruments to alter the effects of this risk.

iv) *Liquidity risk*

Liquidity risk is the risk the company may not be able to meet their obligations. The Foundation has a comprehensive plan in place to meet their obligations as they come due, primarily from new funding agreements and re-negotiation of endowment fund agreements.