

CANADIAN FOUNDATION FOR ADVANCEMENT OF INVESTOR RIGHTS  
(FAIR CANADA)

YEAR ENDED JUNE 30, 2015

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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)**

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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, 2015 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 audits 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, 2015 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.

**Emphasis of Matter**

As part of our audit of the 2015 financial statements, we also audited the adjustment described in Note 3(b) that was applied to amend the 2014 financial statements. In our opinion, this adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the 2014 financial statements of Canadian Foundation for Advancement of Investor Rights (FAIR Canada) other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the 2014 financial statements taken as a whole.

**Other Matter**

The financial statements of Canadian Foundation for Advancement of Investor Rights (FAIR Canada) for the year ended June 30, 2014 were audited by another auditor who expressed an unqualified opinion on those statements before the amendment, as discussed in Note 3(b), on September 23, 2014.

*Stern Cohen LLP*

Chartered Professional Accountants  
Chartered Accountants  
Licensed Public Accountants  
Toronto, Canada  
October 5, 2015

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

**STATEMENT OF REVENUES AND EXPENSES**

| For the year ended June 30,                          | 2015<br>\$     | 2014<br>\$       |
|--|----------------|------------------|
| <b>Revenues</b>                                      |                |                  |
| Operating grants                                     | 500,000        | 1,050,000        |
| Project funding                                      | -              | 80,161           |
| Donations  | 107,823        | 33,269           |
| Interest income                                      | 13,319         | 23,612           |
| Cy-pres awards                                       | 144,297        | -                |
| Other revenue  | -              | 2,834            |
|  | <b>765,439</b> | <b>1,189,876</b> |
| <b>Expenses</b>                                      |                |                  |
| Compensation and benefits                            | 548,044        | 552,801          |
| Occupancy  | 46,918         | 43,165           |
| General and administrative                           | 25,767         | 20,591           |
| Communications and marketing                         | 26,813         | 36,421           |
| Travel and meetings                                  | 12,024         | 14,022           |
| Professional fees                                    | 7,718          | 4,282            |
| Research and consultations                           | 3,532          | 13,204           |
|  | <b>670,816</b> | <b>684,486</b>   |
| <b>Excess of revenues over expenses for the year</b> | <b>94,623</b>  | <b>505,390</b>   |

See accompanying notes.



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

**STATEMENT OF CHANGES IN NET ASSETS**

| For the year ended June 30, 2015                                | Unrestricted<br>\$      | Endowment Fund<br>\$    | Total<br>\$             |
|---|-------------------------|-------------------------|-------------------------|
| <b>Beginning of year</b>  | 1,431,613               | 1,997,643               | 3,429,256               |
| Excess of revenues over expenses for the year                   | 94,623                  | -                       | 94,623                  |
| Endowment contributions   | -                       | 2,000,000               | 2,000,000               |
| Net income from investments held for<br>Endowment Fund (Note 2) | -                       | 211,866                 | 211,866                 |
| Transfer from Endowment Fund                                    | 80,000                  | (80,000)                | -                       |
| <b>End of year</b>  | align="right">1,606,236 | align="right">4,129,509 | align="right">5,735,745 |

| For the year ended June 30, 2014                                | Unrestricted<br>\$      | Endowment Fund<br>\$    | Total<br>\$             |
|---|-------------------------|-------------------------|-------------------------|
| <b>Beginning of year</b>  | 926,223                 | -                       | 926,223                 |
| Excess of revenues over expenses for the year                   | 505,390                 | -                       | 505,390                 |
| Endowment contributions   | -                       | 2,000,000               | 2,000,000               |
| Net income from investments held for<br>Endowment Fund (Note 2) | -                       | (2,357)                 | (2,357)                 |
| <b>End of year</b>  | align="right">1,431,613 | align="right">1,997,643 | align="right">3,429,256 |

See accompanying notes.



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

**STATEMENT OF CASH FLOW**

| For the year ended June 30,  | 2015<br>\$  | 2014<br>\$  |
|--|-------------|-------------|
| <b>Operating activities</b>  |             |             |
| Excess of revenues over expenses for the year                            | 94,623      | 505,390     |
| Net change in non-cash working capital<br>balances related to operations | 219,777     | (227,050)   |
| Cash from operations   | 314,400     | 278,340     |
| <b>Investing activities</b>  |             |             |
| Purchases of investments held for<br>Endowment Fund, net                 | (1,920,000) | (2,000,000) |
| <b>Financing activities</b>  |             |             |
| Contributions to Endowment Fund  | 2,000,000   | 2,000,000   |
| Change in cash during the year   | 394,400     | 278,340     |
| <b>Cash and cash equivalents</b>   |             |             |
| Beginning of year  | 1,219,712   | 941,372     |
| End of year  | 1,614,112   | 1,219,712   |

See accompanying notes.

CANADIAN FOUNDATION FOR ADVANCEMENT OF INVESTOR RIGHTS (FAIR CANADA)

(Incorporated under the laws of Ontario without share capital)

STATEMENT OF FINANCIAL POSITION

| As at June 30,                               | 2015<br>\$       | 2014<br>\$       |
|--|------------------|------------------|
| <b>ASSETS</b>                                |                  |                  |
| Cash and cash equivalents                    | 1,614,112        | 1,219,712        |
| Accounts receivable                          | -                | 201,808          |
| Investments held for Endowment Fund (Note 2) | 4,129,509        | 1,997,643        |
| Sales taxes recoverable                      | 12,033           | 15,362           |
| Prepaid expenses                             | 8,380            | 8,380            |
|  | <u>5,764,034</u> | <u>3,442,905</u> |
| <b>LIABILITIES</b>                           |                  |                  |
| Accounts payable                             | 28,289           | 13,649           |
| <b>NET ASSETS</b>                            |                  |                  |
| Unrestricted                                 | 1,606,236        | 1,431,613        |
| Endowment Fund (Note 2)                      | 4,129,509        | 1,997,643        |
|  | <u>5,735,745</u> | <u>3,429,256</u> |
|  | <u>5,764,034</u> | <u>3,442,905</u> |

Other information (Note 3)

See accompanying notes.

Approved on behalf of the Board:

*Elen Rosana*

Director

*Mantol*

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).

### 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.

1. Significant accounting policies (cont'd)

(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.

(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 and accounts receivable. Financial liabilities measured at amortized cost consists of accounts payable. Financial assets measured at fair value consists of Investments held for Endowment Fund.



CANADIAN FOUNDATION FOR ADVANCEMENT OF INVESTOR RIGHTS (FAIR CANADA)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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.

The Foundation has received an extension of the Matching Gift Deadline from both JF and the OSC until March 31, 2016 in order to raise the remaining \$2,000,000 in funding. As of year-end the respective Endowment Funds are comprised of the following:

|  | JF<br>\$         | OSC<br>\$        | Total<br>\$      |
|--|------------------|------------------|------------------|
| Beginning of year                                      | 1,997,643        | -                | 1,997,643        |
| Endowment contributions                                | -                | 2,000,000        | 2,000,000        |
| Net income from investments held for<br>Endowment Fund | 197,569          | 14,297           | 211,866          |
| Disbursements from Endowment Fund                      | (80,000)         | -                | (80,000)         |
| <b>End of year</b>                                     | <b>2,115,212</b> | <b>2,014,297</b> | <b>4,129,509</b> |



CANADIAN FOUNDATION FOR ADVANCEMENT OF INVESTOR RIGHTS (FAIR CANADA)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

2. Endowment Fund (cont'd)

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

|                                       | 2015           | 2014           |
|---------------------------------------|----------------|----------------|
|                                       | \$             | \$             |
| Interest                              | 32,093         | -              |
| Dividends                             | 32,690         | -              |
| Fair value gain (loss) on investments | 166,172        | (2,357)        |
| Less: management fees                 | (19,089)       | -              |
|                                       | <u>211,866</u> | <u>(2,357)</u> |

3. Other information

(a) *Lease commitments*

The Foundation occupies four offices under a lease agreement with monthly payments totalling approximately \$3,500, which expires in December 2015, 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.

(b) *Correction of prior year financial statements*

In the prior year financial statements, a \$2,000,000 endowment contribution was included in deferred revenue and a net investment loss that must be added to the principal amount of investments held for endowment fund of \$2,357 was recorded through the statement of revenues and expenses. The preparation of financial statements in accordance with ASNFPO under the deferral method requires that both these amounts be recorded as direct increases or decreases in net assets. This resulted in prior year liabilities being overstated by \$2,000,000, net assets being understated by \$2,000,000 and the excess of revenues over expenses for the year being understated by \$2,357. The fiscal 2014 comparative figures have been amended where necessary to conform with this correction.

3. Other information (cont'd)

(c) *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.

*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, 2015, marketable securities balances of \$1,215,361 (2014: \$484,794) are shown in US dollars converted into Canadian dollars.

*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.

(d) *Comparative figures*

The fiscal 2014 figures have been reclassified where necessary to conform to the presentation adopted in the current year.