CANADIAN FOUNDATION FOR ADVANCEMENT OF INVESTOR RIGHTS (FAIR CANADA)

YEAR ENDED JUNE 30, 2019

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Stern Cohen
— ACCOUNTANTS —

Chartered Professional Accountants
Chartered Accountants
Licensed Public Accountants
Business Advisors

Stern Cohen LLP
45 St. Clair Avenue West, 14th Floor
Toronto ON M4V 1L3
T. 416-967-5100
F. 416-967-4372
www.sterncohen.com

INDEPENDENT AUDITOR'S REPORT

To the directors of

CANADIAN FOUNDATION FOR ADVANCEMENT OF INVESTOR RIGHTS (FAIR CANADA)

Opinion

We have audited the financial statements of Canadian Foundation for Advancement of Investor Rights (FAIR Canada), which comprise of the statement of financial position as at June 30, 2019 and the statements of revenues and expenses, changes in net assets, and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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, 2019, its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO), 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.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 organization's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stern Cohen LLP

Chartered Professional Accountants
Chartered Accountants
Licensed Public Accountants
Toronto, Canada
November 20, 2019

CANADIAN FOUNDATION FOR ADVANCEMENT OF INVESTOR RIGHTS (FAIR CANADA)

STATEMENT OF REVENUES AND EXPENSES

For the year ended June 30,	2019 $	2018 $
Revenues		
Donations	**66,695**	126,641
Cy-pres awards	**-**	1,401
Interest income - unrestricted	**10,175**	7,942
- restricted (Note 4)	**34,170**	20,512
Project funding	**250,000**	69,319
	361,040	225,815
Expenses		
Compensation and benefits	**417,224**	579,564
Project expenditures	**-**	38,123
Occupancy costs	**51,799**	50,899
Communications and marketing	**21,626**	36,406
General and administrative	**13,879**	26,907
Travel and meetings	**17,921**	22,204
Professional fees	**8,502**	8,916
Research and consultations	**8,656**	8,787
Amortization	**717**	422
	540,324	772,228
Deficiency of revenues over expenses for the year	**(179,284)**	(546,413)

See accompanying notes.

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CANADIAN FOUNDATION FOR ADVANCEMENT OF INVESTOR RIGHTS (FAIR CANADA)

STATEMENT OF CHANGES IN NET ASSETS

For the year ended June 30, 2019	Unrestricted $	Endowment Fund (Note 2) $	**Total** $
Beginning of year	2,873,874	2,256,342	**5,130,216**
Deficiency of revenues over expenses for the year	(179,284)	-	**(179,284)**
Net income from investments held for Endowment Fund (Note 2)	-	222,526	**222,526**
Transfer from Endowment Fund	88,213	(88,213)	**-**
End of year	2,782,803	2,390,655	**5,173,458**

For the year ended June 30, 2018	Unrestricted $	Endowment Fund $	Total $
Beginning of year	3,335,095	2,214,872	5,549,967
Deficiency of revenues over expenses for the year	(546,413)	-	(546,413)
Net income from investments held for Endowment Fund (Note 2)	-	126,662	126,662
Transfer from Endowment Fund	85,192	(85,192)	-
End of year	2,873,874	2,256,342	5,130,216

See accompanying notes.

CANADIAN FOUNDATION FOR ADVANCEMENT OF INVESTOR RIGHTS (FAIR CANADA)

STATEMENT OF CASH FLOW

For the year ended June 30,	2019 $	2018 $
Operating activities		
Deficiency of revenues over expenses for the year	**(179,284)**	(546,413)
Item not involving cash		
Amortization	**717**	422
Working capital required by operations	**(178,567)**	(545,991)
Net change in non-cash working capital balances related to operations	**(7,108)**	(18,230)
Cash required by operations	**(185,675)**	(564,221)
Investing activities		
Acquisition of capital assets	**-**	(2,812)
Increase in restricted cash	**(34,170)**	(20,512)
Disbursement from Endowment Fund	**88,213**	85,192
	54,043	61,868
Change in cash during the year	**(131,632)**	(502,353)
Cash and cash equivalents		
Beginning of year	**1,342,845**	1,845,198
End of year	**1,211,213**	1,342,845

See accompanying notes.

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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,	**2019** **$**	2018 $
ASSETS		
Current assets		
Cash and cash equivalents	**1,211,213**	1,342,845
Investments held for Endowment Fund (Note 2)	**2,390,655**	2,256,342
Sales taxes recoverable	**16,466**	15,550
Prepaid expenses	**16,920**	9,829
	3,635,254	3,624,566
Capital assets (Note 3)	**1,673**	2,390
Restricted cash (Note 4)	**1,574,527**	1,540,357
	5,211,454	5,167,313
LIABILITIES		
Accounts payable	**37,996**	37,097
NET ASSETS		
Unrestricted	**2,782,803**	2,873,874
Endowment Fund (Note 2)	**2,390,655**	2,256,342
	5,173,458	5,130,216
	5,211,454	5,167,313

Other information (Note 5)

See accompanying notes.

Approved on behalf of the Board: Ellen Bessner Director — Director

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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 (ASNFPO) 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.

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1. Significant accounting policies (cont'd)

(d) Capital assets

Capital assets are stated at cost. Amortization is recorded at rates calculated to charge the cost of the assets to operations over their estimated useful lives. Maintenance and repairs are charged to operations as incurred. Gains and losses on disposals are calculated on the remaining net book value at the time of disposal and included in income.

Amortization is charged to operations at the following annual rates:

Computer equipment - 20% declining balance

(e) 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.

(f) 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 restricted cash. Financial liabilities measured at amortized cost consists of accounts payable. Financial assets measured at fair value consists of Investments held for Endowment Fund.

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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 received an extension of the Matching Gift Deadline from JF until September 30, 2019. Between the period September 30, 2019 and October 17, 2019 $2,365,356 of original capital plus earned income was repaid to JF and a distribution of $69,904 was transferred to the Foundation's operations.

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.

2. Endowment Fund (cont'd)

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

	2019	2018
	$	$
Interest	**16,920**	14,632
Dividends	**12,643**	11,768
Foreign income	**50,794**	39,527
Fair value gain on investments	**159,016**	77,081
Less: management fees	**(15,784)**	(15,295)
Less: withholding tax	**(1,063)**	(1,051)
	222,526	126,662

3. Capital assets

	Cost	Accumulated amortization	Net Book Value	
			2019	2018
	$	$	**$**	$
Computers	2,812	1,139	**1,673**	2,390

4. Restricted cash

The OSC funds are held in a separate account and any income earned is reinvested. As of June 30, 2019 the funds total $2,074,527 (2018 - $2,040,357) 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 $1,574,527 (2018 - $1,540,357) is restricted until subsequent years. As of year end there had been no draw on the original OSC contribution.

5. Other information

(a) Lease commitments

The Foundation occupies four offices under a lease agreement with monthly payments totaling approximately $5,695, which expires in December 2019, with the option to continue to occupy the space under a month to month lease thereafter.

(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, 2019, marketable securities balances of $1,020,196USD (2018: $1,369,978USD) are shown converted into Canadian dollars and 65,653 francs (2018: 0 francs) are shown 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.

5. Other Information (cont'd)

(b) *Financial instruments (cont'd)*

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.

(c) *Subsequent events - Jarislowsky Foundation Endowment Fund*

Subsequent to the year end, the endowment fund was dissolved as explained in Note 2.