

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

YEAR ENDED JUNE 30, 2020

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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, 2020 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, 2020, 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 foundation 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 foundation'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 foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the foundation'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.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

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 foundation'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 foundation'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 foundation 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 9, 2020



CANADIAN FOUNDATION FOR ADVANCEMENT OF INVESTOR RIGHTS (FAIR CANADA)

STATEMENT OF REVENUES AND EXPENSES

For the year ended June 30,	2020 \$	2019 \$
Revenues		
Donations	6,773	66,695
Cy-pres awards	66,254	-
Interest income - unrestricted	26,875	10,175
- restricted	-	34,170
Project funding	-	250,000
	99,902	361,040
Expenses		
Compensation and benefits	635,618	417,224
Occupancy costs	63,155	51,799
Communications and marketing	22,121	21,626
General and administrative	14,718	13,879
Travel and meetings	8,070	17,921
Professional fees	9,022	8,502
Research and consultations	22,902	8,656
Amortization	502	717
	776,108	540,324
Deficiency of revenues over expenses for the year	(676,206)	(179,284)

See accompanying notes.

CANADIAN FOUNDATION FOR ADVANCEMENT OF INVESTOR RIGHTS (FAIR CANADA)
STATEMENT OF CHANGES IN NET ASSETS

For the year ended June 30, 2020	Unrestricted \$	Endowment Fund (Note 2) \$	Total \$
Beginning of year	2,782,803	2,390,655	5,173,458
Deficiency of revenues over expenses for the year	(676,206)	-	(676,206)
Transfer from Endowment Fund	69,886	(69,886)	-
Disendowment of funds (Note 2)	-	(2,320,769)	(2,320,769)
End of year	2,176,483	-	2,176,483

For the year ended June 30, 2019	Unrestricted \$	Endowment Fund \$	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

See accompanying notes.

CANADIAN FOUNDATION FOR ADVANCEMENT OF INVESTOR RIGHTS (FAIR CANADA)

STATEMENT OF CASH FLOW

For the year ended June 30,	2020 \$	2019 \$
Operating activities		
Deficiency of revenues over expenses for the year	(676,206)	(179,284)
Item not involving cash		
Amortization	502	717
Working capital required by operations	(675,704)	(178,567)
Net change in non-cash working capital balances related to operations	7,213	(7,108)
Cash required by operations	(668,491)	(185,675)
Investing activities		
Decrease (increase) in restricted cash	1,574,527	(34,170)
Disbursement from Endowment Fund	69,886	88,213
	1,644,413	54,043
Change in cash during the year	975,922	(131,632)
Cash and cash equivalents		
Beginning of year	1,211,213	1,342,845
End of year	2,187,135	1,211,213

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,	2020 \$	2019 \$
ASSETS		
Current assets		
Cash and cash equivalents	2,187,135	1,211,213
Investments held for Endowment Fund (Note 2)	-	2,390,655
Sales taxes recoverable	38,958	16,466
Prepaid expenses	11,546	16,920
	2,237,639	3,635,254
Capital assets (Note 3)	1,171	1,673
Restricted cash (Note 2)	-	1,574,527
	2,238,810	5,211,454
LIABILITIES		
Accounts payable	62,327	37,996
NET ASSETS		
Unrestricted	2,176,483	2,782,803
Endowment Fund (Note 2)	-	2,390,655
	2,176,483	5,173,458
	2,238,810	5,211,454

Other information (Note 4)

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 100 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) *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

(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. Financial liabilities measured at amortized cost consists of accounts payable.

CANADIAN FOUNDATION FOR ADVANCEMENT OF INVESTOR RIGHTS (FAIR CANADA)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

2. Endowment Funds and Restricted Cash

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 was required to 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.

In the 2015 fiscal year, the Foundation received \$2,000,000 of the required matching contributions from the Ontario Securities Commission ("OSC") which was subject to the completion of the terms of the JF Endowment Fund.

The Foundation received extensions of the Matching Gift Deadline from JF until September 30, 2019. The remaining required matching contribution was not received and as a result JF called for the return of funds. 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 originally revised as of December 9, 2016 such that OSC's endowment contribution was no longer endowed and FAIR Canada could draw from the funds to cover its operating expenses as long as the draw did not exceed \$500,000 per annum without the prior written approval of the Commission. The agreement was further revised December 19, 2019 stating the remaining OSC funds can be used in its entirety for FAIR Canada's operating purposes and there is no longer any restrictions or upper limit on the amount that can be used annually.

3. Capital assets

	Cost \$	Accumulated amortization \$	Net Book Value	
			2020 \$	2019 \$
Computers	2,812	1,641	1,171	1,673

4. Other information

(a) *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.

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.

4. Other Information (cont'd)

(b) COVID-19

The outbreak of the novel coronavirus (“COVID-19”), in March 2020, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which have included travel bans, state and country lockdowns, self-imposed quarantine periods and social distancing have created material disruption to businesses globally, which are resulting in an economic slowdown. The duration and impact of the COVID-19 pandemic is unknown at this time and as a result it is not possible for management to estimate the severity of the impact it may have on the financial results of the Foundation nor its future condition and operations in future periods. It is management’s assumption that the Foundation will continue to operate as a going concern.