
Centre for International
Governance Innovation

FINANCIAL STATEMENTS

JULY 31, 2020

INDEPENDENT AUDITOR'S REPORT

To the Directors of Centre For International Governance Innovation

Opinion

We have audited the financial statements of Centre For International Governance Innovation (the "Organization"), which comprise the statement of financial position as at July 31, 2020, and the statements of revenues and expenditures and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at July 31, 2020, 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 ("ASNPO").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("GAAS"). 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 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 ASNPO, 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 GAAS 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 GAAS, 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 control.
- 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 the 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, among 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.

Zeifmans LLP

Toronto, Ontario
November 27, 2020

Chartered Professional Accountants
Licensed Public Accountants

Zeifmans

Centre for International
Governance Innovation

Statement of Financial Position

July 31, 2020

	JULY 31, 2020								JULY 31, 2019	
	RESTRICTED FUNDS									
	Long Term Endowment	Capital Assets	Campus	Africa	J Holmes	Balsillie Family Foundation Fund	Operating	Total	Total	
ASSETS										
CURRENT										
Cash and cash equivalents	\$ 3,069,791	\$ -	\$ 793,179	\$ 348,261	\$ -	\$ 8,179,505	\$ 1,407,356	\$ 13,798,092	\$ 13,585,353	
Portfolio investments (Note 3)	56,075,550	-	9,015,353	5,312,264	419,569	13,797,607	16,720,167	101,340,510	104,944,494	
Amounts receivable	-	-	-	-	-	-	123,936	123,936	605,813	
Prepaid expenses (Note 4)	-	-	38,181	-	-	-	232,094	270,275	341,326	
	59,145,341	-	9,846,713	5,660,525	419,569	21,977,112	18,483,553	115,532,813	119,476,986	
OTHER										
Property and equipment (Note 5)	-	3,260,904	50,237,777	-	-	-	-	53,498,681	55,404,030	
Lease inducement	-	-	-	-	-	-	235,363	235,363	262,634	
	-	3,260,904	50,237,777	-	-	-	235,363	53,734,044	55,666,664	
TOTAL ASSETS	\$ 59,145,341	\$ 3,260,904	\$ 60,084,490	\$ 5,660,525	\$ 419,569	\$ 21,977,112	\$ 18,718,916	\$ 169,266,857	\$ 175,143,650	

See accompanying notes to financial statements

Centre for International
Governance Innovation

Statement of Financial Position

July 31, 2020

	JULY 31, 2020							JULY 31, 2019	
	RESTRICTED FUNDS								
	Long Term Endowment	Capital Assets	Campus	Africa	J Holmes	Balsillie Family Foundation Fund	Operating	Total	Total
LIABILITIES									
CURRENT									
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 832,157	\$ 832,157	\$ 1,690,477
Deferred revenue	-	-	-	-	-	-	472,194	472,194	529,616
Interfund loan (receivable) (Note 7)	-	-	-	-	-	17,714	(17,714)	-	-
TOTAL LIABILITIES	-	-	-	-	-	17,714	1,286,637	1,304,351	2,220,093
FUND BALANCES									
Invested in capital assets	-	3,260,904	50,237,777	-	-	-	-	53,498,681	55,404,030
Externally restricted	59,145,341	-	9,214,742	5,660,525	419,569	21,959,398	-	96,399,575	98,755,703
Internally restricted	-	-	631,971	-	-	-	-	631,971	628,827
Unrestricted	-	-	-	-	-	-	17,432,279	17,432,279	18,134,997
TOTAL FUND BALANCES	59,145,341	3,260,904	60,084,490	5,660,525	419,569	21,959,398	17,432,279	167,962,506	172,923,557
	\$ 59,145,341	\$ 3,260,904	\$ 60,084,490	\$ 5,660,525	\$ 419,569	\$ 21,977,112	\$ 18,718,916	\$ 169,266,857	\$ 175,143,650

COMMITMENTS AND CONTINGENCIES (Note 9)

APPROVED AND AUTHORIZED FOR ISSUE BY THE ORGANIZATION'S BOARD OF DIRECTORS ON NOVEMBER 27, 2020



Director



Director

See accompanying notes to financial statements

Centre for International
Governance Innovation

Statement of Revenues and Expenditures and Changes in Net Assets
Year Ended July 31, 2020

	JULY 31, 2020								JULY 31, 2019
	RESTRICTED FUNDS								
	Long Term Endowment	Capital Assets	Campus	Africa	J Holmes	Balsillie Family Foundation Fund	Operating	Total	Total
REVENUES									
Realized investment income (<i>Note 10</i>)	\$ -	\$ -	\$ 296,159	\$ 113,357	\$ 2,088	\$ 75,867	\$ 3,260,918	\$ 3,748,389	\$ 3,146,156
Other (<i>Note 10</i>)	-	-	939,199	-	-	-	817,492	1,756,691	1,492,004
Unrealized investment gains	-	-	231,743	36,736	-	741,120	269,028	1,278,627	2,359,671
Government and other grants	-	-	-	-	-	-	162,334	162,334	3,216,487
	-	-	1,467,101	150,093	2,088	816,987	4,509,772	6,946,041	10,214,318
EXPENSES									
Research and conferences (<i>Note 4</i>)	-	-	791,739	262,638	-	-	5,029,343	6,083,720	13,948,486
Amortization	-	297,916	1,826,102	-	-	-	-	2,124,018	2,005,682
Administration	-	-	155,685	-	-	-	1,724,906	1,880,591	2,714,092
Facilities	-	-	974,344	-	-	-	106,806	1,081,150	1,097,278
Technical support	-	-	379,869	-	-	-	357,744	737,613	978,262
	-	297,916	4,127,739	262,638	-	-	7,218,799	11,907,092	20,743,800
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)	-	(297,916)	(2,660,638)	(112,545)	2,088	816,987	(2,709,027)	(4,961,051)	(10,529,482)
FUND BALANCES - BEGINNING OF YEAR	58,935,644	3,444,660	65,019,495	5,753,706	417,481	21,217,574	18,134,997	172,923,557	183,453,039
INTERFUND TRANSFERS (<i>Note 13</i>)	209,697	114,160	(2,274,367)	19,364	-	(75,163)	2,006,309	-	-
FUND BALANCES - END OF YEAR	\$ 59,145,341	\$ 3,260,904	\$ 60,084,490	\$ 5,660,525	\$ 419,569	\$ 21,959,398	\$ 17,432,279	\$ 167,962,506	\$ 172,923,557

See accompanying notes to financial statements

Statement of Cash Flows
For the Year Ended July 31, 2020

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses (expenses over revenues)	\$ (4,961,051)	\$ (10,529,482)
Items not affecting cash:		
Amortization	2,124,018	2,005,681
Amortization of lease inducement	27,271	26,372
Unrealized investment gains	(1,278,627)	(2,359,672)
Gain on sale of portfolio investments	(1,378,364)	(523,004)
	<u>(5,466,753)</u>	<u>(11,380,105)</u>
Changes in non-cash working capital:		
Amounts receivable	481,877	844,073
Accounts payable and accrued liabilities	(858,319)	331,815
Deferred revenue	(57,422)	(519,167)
Prepaid expenses	71,051	82,865
	<u>(362,813)</u>	<u>739,586</u>
CASH FLOWS FROM OPERATING ACTIVITIES	<u>(5,829,566)</u>	<u>(10,640,519)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(218,669)	(123,755)
Purchase of portfolio investments	(55,397,923)	(27,342,572)
Proceeds on redemption and sale of portfolio investments	61,658,897	46,327,046
CASH FLOWS FROM INVESTING ACTIVITIES	<u>6,042,305</u>	<u>18,860,719</u>
INCREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	<u>212,739</u>	<u>8,220,200</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>13,585,353</u>	<u>5,365,153</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 13,798,092</u>	<u>\$ 13,585,353</u>
CASH CONSISTS OF:		
Cash held in bank accounts	\$ 1,297,865	\$ 912,049
Cash held in investment broker accounts	12,500,227	12,673,304
	<u>\$ 13,798,092</u>	<u>\$ 13,585,353</u>

See accompanying notes to financial statements

**Notes to Financial Statements
July 31, 2020**

1. BASIS OF PRESENTATION

The Centre for International Governance Innovation (“CIGI” or the “Organization”) is a charitable organization and an independent, nonpartisan think tank on international governance. Led by experienced practitioners and distinguished academics, CIGI supports research, forms networks, advances policy debate and generates ideas for multilateral governance improvements. Conducting an active agenda of research, events and publications, CIGI’s interdisciplinary work includes collaboration with policy, business and academic communities around the world. The Organization is incorporated under the *Canada Not for Profit Corporations Act* and is a registered charity under the Income Tax Act. As a result, the Organization is not subject to income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General -

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and are applied consistently. The Organization has presented these financial statements in Canadian dollars.

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Notes to Financial Statements

July 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Fund accounting -

The Organization follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the Organization's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the Organization's capital assets, excluding those of the CIGI Campus (the "Campus").

The Long Term Endowment Fund reports resources contributed for endowment. Certain of such resources are to be held for a period of ten years. Investment income earned on resources of the Long Term Endowment Fund is reported in the Operating Fund.

The Africa Fund is focused on the effects of climate change on Africa's security and socioeconomic development.

The Campus Fund is a CIGI initiative in collaboration with provincial and federal governments designed to house several graduate schools and programs. Two such initiatives are the Balsillie School of International Affairs ("BSIA") and the CIGI International Law Research Program (the "ILRP"). As a hub of different programs, the Campus Fund cultivates an interdisciplinary learning environment focused on developing knowledge of global governance issues.

The John Holmes Fund is focused on funding the operations of the library.

Based at the Campus, the Balsillie Family Foundation Fund (previously known as the ILRP Fund) was a \$60 million, ten-year, integrated and multi-disciplinary research and teaching program that was intended to provide leading academics, government and private sector legal experts, as well as students from Canada and abroad with the opportunity to contribute to advancements in international law. The law program was initiated on September 1, 2013 and was funded equally by CIGI and the Province of Ontario. The following were the ILRP's three primary areas of focus: international intellectual property law, international environmental laws and treaties, and international economic, financial and investment law, regulation and governance. In 2019, the provincial government terminated the agreement and indicated that the program would only be funded under the terms of the agreement until May 16, 2019. After this date, no further funding will be received for the program from the provincial government. The remaining fund balance will be utilized for future strategic opportunities according to the terms of the agreement with the private donor.

Cash and cash equivalents -

Cash and cash equivalents consist of balances with banks and brokers and investments in money market instruments with original maturities of three months or less.

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Notes to Financial Statements

July 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Portfolio investments -

Mutual funds, equities and fixed income fund units are carried at fair value based on the latest closing price. Alternative investments are carried at fair value based on net asset value. The fair value of derivative financial instruments is based on the estimated amounts receivable or payable from the derivative contracts at the reporting date. The portfolio investments have been designated as those to be measured at fair value. Realized and unrealized gains or losses are recognized in the statement of revenue and expenses and change in fund balances for the year.

Property and equipment -

Property and equipment are stated at cost or deemed cost less accumulated amortization. Property and equipment are amortized over their estimated useful life on a straight-line basis over the following periods:

Buildings - interior	forty years
Buildings - mechanical	thirty three years
Buildings - exterior	forty years
Buildings - site and foundation	forty years
Building improvements	seven to ten years
Computer equipment	three years
Computer software	three years
Furniture and fixtures	five years
Buildings - IT infrastructure	three years
Office equipment	three years
Vehicles	five years
Buildings and improvements	seven to forty years

Amortization of assets acquired during the year is recorded at half the above rates.

Art capitalized by the Organization is not amortized.

The Organization tests for impairment of long-lived assets whenever events or changes in circumstances indicate the asset no longer contributes to the Organization's ability to provide goods and services or that the value of future economic benefits or service potential associated with the asset is less than its net carrying amount. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value or replacement cost in the statement of revenue and expenses and fund balances.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition -

Contributions are recognized as revenue in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund when received or receivable.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment are recognized as revenue in the Long Term Endowment Fund in the year received or receivable.

Unrestricted investment income earned on Long Term Endowment Fund resources is recognized as revenue of the Operating Fund. Other investment income is recognized as revenue of the Operating Fund when earned.

Rental income is recognized as revenue in the Campus Fund over the term of the lease on a straight-line basis when collection is reasonably assured.

Significantly influenced entities -

Significant influence over a for-profit entity:

Investments in companies subject to significant influence by the Organization are accounted for by the equity method. Under this method, the original cost of the investment is adjusted for the Organization's share of dividends received and undistributed earnings or losses since acquisition.

Significant influence over a not-for-profit organization:

Significant influence over a not-for-profit organization is established without a transferable ownership interest and as a result exists through other means. The Organization discloses a description of the relationship with the significantly influenced organization; a clear description of the organization's purpose, intended community of services, its status under income tax legislation and its legal form; and the nature and extent of any economic interest that the Organization has in the significantly influenced organization. This entity has not been consolidated into the Organization's financial statements.

Contributed services -

Volunteers contribute many hours per year to assist the Organization in carrying out its charitable activities. Because of the difficulty in determining their fair value, contributed services are recognized in these financial statements only when a fair value can be reasonably estimated and when the services are used in the normal course of the Organization's operations and would otherwise have been purchased.

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Notes to Financial Statements
July 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Measurement uncertainty -

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates. Examples of estimates are the determination of market value of portfolio investments, the determination of the useful life of property and equipment, the determination of the value of assets disposed of and accrued liabilities.

Change in accounting policy -

During the year, the Organization adopted the provisions of the Chartered Professional Accountants of Canada Handbook Section 4433, Tangible Capital Assets Held by Not-For-Profit Organizations, which requires that capitalized assets be componentized and amortized in accordance with Section 3061, Property, Plant and Equipment. The cost of tangible capital assets made up of significant separable component parts is allocated to the component parts when practicable and when estimates can be made of the lives of the separate components. Each component is amortized in a rational and systematic manner appropriate to the nature of the tangible capital asset with a limited life and its use by the not-for-profit organization. The amount of amortization that is recognized as an expense in the statement of operations is the greater of:

- (a) the cost less salvage value over the life of the asset, and
- (b) the cost less residual value over the useful life of the asset.

The adoption of this policy required the Organization to separate tangible capital assets with significant component parts and to determine amortization rates to be used on such components. As a result of adopting this standard, the Organization has begun amortizing property and equipment effective January 1, 2019 at the rates and methods disclosed above.

3. PORTFOLIO INVESTMENTS

	2020	2019
Equities and equity mutual fund units	\$ 51,229,262	\$ 50,267,707
Fixed income fund units	42,540,586	46,141,121
Alternative investments	6,519,122	7,489,358
Term deposits	1,051,540	1,046,308
	\$ 101,340,510	\$ 104,944,494

Notes to Financial Statements

July 31, 2020

4. SIGNIFICANTLY INFLUENCED NOT-FOR-PROFIT ORGANIZATIONS

The Balsillie School of International Affairs (the “BSIA”) was incorporated on August 19, 2013 under the Canada Not for Profit Corporations Act. The Organization, through its representation on the board of directors, has significant influence over the BSIA. The purpose of BSIA is to support interdisciplinary research in the fields of multilateral and global governance with a view to raising the quality of people’s lives worldwide by identifying and offering options for solutions to critical issues facing humanity; to facilitate and promote research relationships and collaborations among academic researchers, students and other qualified experts affiliated with the members in multiple disciplines; and to provide networking, professional development and research opportunities for students, post-doctoral fellows and research associates affiliated with the members. The Organization does not intend to benefit economically from the operations of the BSIA. During the year, the Organization expensed \$197,000 (2019 - \$204,767) in relation to the BSIA, which is included in research and conferences expense. In addition, \$87,510 (2019 - \$89,836) is recognized as a prepaid expense.

5. PROPERTY AND EQUIPMENT

	2020			2019
	Cost	Accumulated amortization	Net book value	Net book value
Buildings - interior	\$ 22,862,617	\$ 5,225,164	\$ 17,637,453	\$ -
Buildings - mechanical	19,994,882	4,669,727	15,325,155	-
Buildings - exterior	17,267,054	3,946,317	13,320,737	-
Buildings - site and foundation	7,480,496	1,709,638	5,770,858	-
Building improvements	3,030,938	2,138,805	892,133	-
Land	294,345	-	294,345	294,345
Computer equipment	8,210,933	7,995,502	215,431	9,529
Computer software	290,603	253,034	37,569	22,705
Artwork	5,000	-	5,000	5,000
Furniture and fixtures	667,439	667,439	-	1,528
Buildings - IT infrastructure	508,726	508,726	-	-
Office equipment	341,626	341,626	-	-
Motor vehicles	32,754	32,754	-	-
Buildings and improvements	-	-	-	55,070,923
	\$ 80,987,413	\$ 27,488,732	\$ 53,498,681	\$ 55,404,030

During the year, the Organization adopted Section 4433 Tangible Capital Assets Held by Not-For-Profit Organizations, which resulted in the reallocation of the buildings and improvements account into further components.

Included in buildings - interior, mechanical, exterior, site and foundation, building improvements and buildings - IT infrastructure are assets with a net book value of \$50,237,777 (2019 buildings and improvements - \$51,959,370) relating to the Campus.

6. BANK INDEBTEDNESS

The Organization has an unsecured \$500,000 overdraft credit facility against which \$nil (2019 - \$nil) has been drawn as at July 31, 2020. Under the overdraft credit facility agreement, outstanding amounts bear interest at the bank's prime lending rate plus 0.75% per annum.

Notes to Financial Statements

July 31, 2020

7. INTERFUND LOANS

At July 31, 2020, the Balsillie Family Foundation owed the Operating Fund \$17,714 (2019 - the Operating Fund owed the Balsillie Family Foundation - \$190,514) for monies transferred between the funds. The loan is without interest, security or stated terms of repayment.

8. CAPITAL DISCLOSURES

The Organization's capital is comprised of its net fund balances. The Organization's capital management objectives are to safeguard its capital and to ensure it is able to finance its growth and strategic plans. There were no changes to the Organization's approach to capital management during the year.

Included in the Organization's Long Term Endowment Fund is a restricted fund created by contributors including the Government of Canada. The income from the fund is used for the Organization's operations but the capital is restricted from encroachment and may not fall below \$30,000,000. At July 31, 2019 and 2020 the capital balance of this fund is calculated to be \$50,650,903.

9. COMMITMENTS AND CONTINGENCIES

(a) **Lease commitment -**

The Organization has a commitment to lease land from the City of Waterloo for a period of ninety-nine years ending June 2107 for \$1 per annum for the purposes of the Campus.

(b) **Program obligations -**

In 2011, the Organization signed a program agreement with the Institute for New Economic Thinking ("INET"). In 2013, this agreement was amended. The Organization is committed to expenditures of \$20,000,000 over the term of the amended agreement which is to expire July 31, 2021. For the period from the signing of the original agreement to July 31, 2020 the Organization has incurred cumulative expenses in the amount of \$19,742,429 (for the period from signing of the agreement to July 31, 2019 - \$18,261,020). A total of \$1,481,409 of expenses were incurred in the current year (2019 - \$2,757,472).

During the year, the Organization and INET reassessed the expenditures previously incurred by the Organization that would fit the mandate of this program. As a result, the total expenditures allocated cumulative to date for the period from signing of the agreement to July 31, 2019 was revised from \$14,206,795 to 18,261,020. The actual expenses incurred in the year ended July 31, 2019 was revised from \$1,002,432 to \$2,757,472. It has been agreed between the Organization and INET, any unspent funding remaining after the expiry of the agreement on July 31, 2021, will not be repaid by the Organization.

In 2013, the Organization signed an agreement with a provincial government and a private donor to develop and launch the ILRP. Under this agreement, the Organization was to incur expenditures of \$60,000,000 over the term of the agreement which was to expire July 31, 2024. The funding was to be split in equal portions between the provincial government and the private donor. The private donor is a related party who has significant influence on the Organization. The provincial government has funded \$nil of its total commitment of \$30,000,000 during the year (2019 - \$2,577,309). For the period from the signing of the agreement to July 31, 2020, the Organization has incurred cumulative costs of \$27,375,358 (for the period from signing of the agreement to July 31, 2019 - \$27,375,358), which includes \$18,051 (2019 - \$18,051) of capital costs for furniture, the costs of which are included in the Capital Asset Fund. A total of \$nil of expenses were incurred in the current year (2019 - \$4,964,372), which includes \$nil (2019 - \$nil) of capital costs for furniture, the costs of which are included in the Capital Asset Fund. No further funding will be provided under this agreement from the provincial government effective May 16, 2019 and as a result, CIGI is no longer under obligation to incur future expenditures.

The funds received by the private donor continue to be held in the Balsillie Family Foundation Fund and are to be utilized in future programs upon approval by the donor.

(c) **Claims and litigation -**

From time to time, the Organization is involved in claims and litigation primarily arising from the normal course of business. The outcome of such claims and litigation is indeterminable at this time. Management believes that the resolution of these actions will not have a material adverse effect on the financial condition of the Organization.

Notes to Financial Statements
July 31, 2020

10. OTHER SUPPLEMENTAL INFORMATION

(a) **Rental income -**

For the year, the Organization recognized \$1,395,842 (2019 - \$1,424,295) of rental income included in other income.

(b) **Related party transaction -**

For the year, the Organization recognized \$17,977 (2019 - \$nil) of rental and reimbursement income included in other income, which was received from a not-for-profit organization that is controlled by a director of the Organization.

(c) **Realized investment income -**

Realized investment income is comprised as follows:

	2020	2019
Interest	\$ 2,285,978	\$ 1,858,384
Dividends	387,004	1,058,113
Gain on sale of portfolio investments	1,353,861	699,667
Gain on sale of long-term investment	5,845	-
Foreign currency translation gain (loss)	24,505	(176,664)
Management fees	(308,804)	(293,344)
	<u>\$ 3,748,389</u>	<u>\$ 3,146,156</u>

(d) **Government assistance -**

For the year, the Organization received a \$247,922 subsidy for the Canada Emergency Wage Subsidy program offered by the Government of Canada as assistance for the ongoing COVID-19 pandemic. This subsidy has been included in other income in the statement of operations.

11. POST EMPLOYMENT BENEFITS

The Organization operates a defined contribution retirement plan for its employees. The retirement plan is funded by payments from the employees and the Organization. The payments by the Organization are charged to the statement of revenue and expenses for the period as incurred. The Organization has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. The assets of the pension plan are held by an independent entity. Pension expense for the year ended July 31, 2020 was \$317,863 (2019 - \$416,116).

12. FINANCIAL INSTRUMENTS

(a) **Financial assets -**

The carrying amount of financial assets measured at fair value is \$115,138,603 (2019 - \$118,529,849).

The carrying amount of financial assets measured at amortized cost is \$123,936 (2019 - \$605,813).

(continues)

12. FINANCIAL INSTRUMENTS (*continued*)

(b) **Financial risks -**

The Organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Organization's risk exposure and concentration as of July 31, 2020.

Credit risk

Certain of the Organization's financial instruments are subject to credit risk, being the risk of financial loss occurring as a result of default of counterparties on their obligations. The Organization is subject to credit risk on its accounts receivable, fixed income securities held and cash. As at July 31, 2020, 86% (2019 - 75%) of the amounts receivable balance is from one organization. In order to mitigate this risk, the Organization monitors the performance of the fixed income securities and invests with only reputable brokers.

Market risk

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

Currency risk

Currency risk is the risk to the Organization's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Organization is exposed to foreign currency exchange risk on cash and cash equivalents of \$388,641 Canadian dollars (2019 - \$971,966 Canadian dollars) and portfolio investments of \$951,891 Canadian dollars (2019 - \$5,579,273 Canadian dollars) that are denominated in United States dollars.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Organization is exposed to interest rate risk to the extent of investments held in fixed income securities.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization is exposed to other price risk through its portfolio investments in quoted shares. Approximately, 57% (2019 - 55%) of the Organization's portfolio investments are in equities and alternative investments and are subject to the other price risk.

(*continues*)

12. FINANCIAL INSTRUMENTS (*continued*)

The Organization manages risk by employing professional and experienced portfolio advisors, by daily monitoring of the Organization's positions and market events and by diversifying the investment portfolio within the constraints of the investment objective. To assist in managing risk, the Organization also maintains a governance structure that oversees the Organization's investment activities and monitors compliance with the Organization's stated investment strategy and securities regulations.

Beginning in March 2020 the Governments of Canada and Ontario, as well as foreign governments, instituted emergency measures as a result of the COVID-19 virus. The Organization has continued to operate with limited impact on its financial position and cash flows, but the virus has significantly affected the Canadian and international securities and currency markets and consumer activity. Management believes that the Organization's accounting estimates are fairly determined, however, the ongoing uncertainty may affect some of the significant estimates in the next fiscal year, more specifically impairment assessment of long-lived assets and fair values of financial instruments, which cannot be predicted at this point in time due to the fluid situation. Nonetheless, as of the financial statements' approval date, management does not foresee any adverse impact on the going concern ability of the Organization due to COVID related uncertainties.

13. INTERFUND TRANSFERS

Transfers between funds during a reporting period do not result in increases or decreases in the economic resources of the Organization as a whole. These transfers represent an allocation of resources between various funds.

The following table summarizes the transfers for the year:

	Long Term Endowment Fund	Capital Asset Fund	Campus Fund	Africa Fund	J Holmes Fund	Balsillie Family Foundation Fund	Operating Fund
From Long Term Endowment Fund to Operating Fund (a)	\$ 209,697	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (209,697)
To Capital Asset Fund from Operating Fund (b)	-	114,160	-	-	-	-	(114,160)
From Campus Fund to Operating Fund (c)	-	-	(2,274,367)	-	-	-	2,274,367
From Africa Fund to Operating Fund (d)	-	-	-	19,364	-	-	(19,364)
From Balsillie Family Foundation Fund to Operating Fund (e)	-	-	-	-	-	(75,163)	75,163
	<u>\$ 209,697</u>	<u>\$ 114,160</u>	<u>\$ (2,274,367)</u>	<u>\$ 19,364</u>	<u>\$ -</u>	<u>\$ (75,163)</u>	<u>\$ 2,006,309</u>

(a) The transfer from the Operating Fund to the Long Term Endowment Fund was made to repay prior fund advances by the Operating Fund.

(b) The transfer to the Capital Asset Fund from the Operating Fund was made to fund property and equipment acquisitions.

(c) The transfer to the Operating Fund from the Campus Fund was made to fund operating activities.

(d) The transfer to the Africa Fund from the Operating Fund was made to fund research and conference activities in the Africa Fund.

(e) The transfer from the Operating Fund to the Balsillie Family Foundation Fund (formerly ILRP) was made to repay prior fund advances by the Operating Fund.