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2000-2001 the year in **review** annual report

mission & mandate

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ounded in 1972, the Institute for Research on Public Policy is an independent, national, nonprofit organization.

IRPP seeks to improve public policy in Canada by generating research, providing insight and sparking debate that will contribute to the public policy decision-making process and strengthen the quality of the public policy decisions made by Canadian governments, citizens, institutions and organizations.

IRPP's independence is assured by an endowment fund, to which federal and provincial governments and the private sector have contributed.

IRPP

report of the chair of the board of directors



It is my pleasure as Acting Chair to report on the Board's activities over the last twelve months. The year 2000-2001 was an exciting, eventful and successful one for the Institute.

Although Peter White, our chairman, announced early in the year that he would step down from his position on the Board to pursue his activities in federal politics, he accepted to remain as a Director. Mr. White presided over the Board during a time of transition and strategic review, and his immeasurable contribution to IRPP's renewed dynamism and focus is deeply appreciated. On behalf of the Board and senior staff, I would like to extend to Mr. White our most sincere appreciation for his hard work and dedication to the **Institute's mission and mandate.**

I am also pleased to report that Bob Rae, P.C., Q.C., LL.D., O.C. and member of the Board since 1998, became Chair of the Board at the annual general meeting in June. Elected eight times to federal and provincial parliaments before his 1996 retirement from politics, Bob Rae was the Premier of Ontario from 1990 to 1995 and is now a partner at Goodmans LLP, a Canadian international law firm, and an adjunct professor at the University of Toronto. The Institute will undoubtedly benefit from Mr. Rae's experience in the public and private sectors as well as in academe.

Two new Directors joined the Board in June: Shira Herzog, vice-president of the Calgary-based Kahanoff Foundation, is a recognized expert and spokesperson on public policy issues affecting the non-profit sector and on strategic philanthropy; and Gordon Thiessen, former Governor of the Bank of Canada, is one of Canada's best-known and leading experts on monetary policy. On behalf of IRPP's Board and staff, I want to welcome them both and I look forward to their contribution to the Institute's future successes. IRPP would also like to thank three of its retiring Board members, Jean-Guy Finn, Fred Gorbet and Maurice Pinard, whose terms ended at the June meeting. Their contribution to IRPP's research agenda and strategic review were most valuable and they will be sorely missed.

Finally, I would like to express the **Board's** gratitude for the tremendous work of IRPP's President, Hugh Segal. After just two years at the helm, Hugh, aided by IRPP's able staff, has greatly enhanced the Institute's visibility and has pushed IRPP to the forefront of the public policy debate in Canada, with groundbreaking events and publications on Canadian democracy, health care and human capital development. On behalf of the Board, I want to congratulate him on a job well done and I look forward to IRPP's continued success under his leadership.



Germaine Gibara

Montreal

president's report

2000-2001

the year in review



It is a privilege to report on what has been an active year for IRPP. The progress made by IRPP on its research themes and the enhanced impact of IRPP research within both the legislative and research agenda of Canada reflect superb work by IRPP staff, colleagues, visiting fellows and scholars as well as strong and important support from our Board of Directors.

Since arriving at the Institute in the summer of 1999, I have had significant support from Peter White, our then Chairman of the Board. Until the day Peter resigned his chairmanship to assume senior partisan responsibilities with the Official Opposition midway through this last year, his support for me and all members of the IRPP staff was unwavering. I want to not only thank Peter for that support but also express my profound appreciation for his decision to stay on as a member of the Board. Germaine Gibara, as both Vice-Chair and Acting Chair has been an ongoing and valued source of advice and counsel, which I appreciate very much indeed.

The past twelve months have been a period of consolidation and growth at IRPP. After a year of transition and a year of strategic review of IRPP's role in the broader policy community, the Institute focused its energy in the last year on consolidating the gains made over the previous 18 months and on pursuing opportunities for growth in key research areas that make up its new research mandate. It is my distinct pleasure to report that, aided by the judicious guidance of the **Board of Directors** and the dedication of **staff**, IRPP has had one of its most productive and successful years on record.

the year in

numbers

In terms of outreach and impact, this past year has been one of unprecedented output. Indeed, over the past twelve months we accomplished much:

- > 3 major policy **conferences** held;
- > 6 **monographs** published;
- > 21 public forums, working lunches and dinners held in 5 cities across Canada;
- > 17 research papers released;
- > 26 opinion pieces by IRPP researchers appeared in Canada's major daily newspapers;
- > 562 news stories on IRPP research and activities appeared in print and broadcast media;
- > 1600 individuals attended an IRPP event;
- > 49,130 visits to IRPP's Website; and,
- > 138,272 articles and studies downloaded from IRPP's Website.

engaging on the issues that matter to Canadians

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ince the last annual report was released in September 2000, IRPP has engaged – through monographs, research papers and public events – on the issues that are at the very top of the Canadian policy agenda.

Last September, as first ministers planned their meeting on the future funding of health care in Canada, IRPP released a comprehensive report on reforming Medicare entitled **Recommendations to First Ministers**. In eight short policy papers, members of the IRPP Task Force on Health Policy (Hon. Monique Bégin, Michael Decker (chair), Dr. Collen Flood, Claude Forget, Dr. Henry Friesen, Maureen Quigley, Dr. Duncan Sinclair and Dr. Carolyn Tuohy) tackled issues related to governance, accountability, innovation and excellence in health care head on. The report, presented to first ministers, ministers of health and deputy ministers of health shortly before the first ministers' conference, was enthusiastically welcomed by decision-makers and analysts alike.

In October, IRPP released *The Politics of Resentment: British Columbia Regionalism and Canadian Unity*, an analysis of BC's role in the evolving debate over the future of the Canadian federation, by UBC professor Philip Resnick. In this book, Resnick examines the unique character of Canada's westernmost province and explores how this distinctiveness — fashioned by geography, economics and history — has shaped BC's relationship with Ottawa and with Quebec nationalism. Released just as the opening salvos of the federal election campaign were launched, this book provided timely insight into some of the regional tensions that would help shape the results on election night.

Over the course of the federal election campaign, IRPP also published two policy papers – both planned long before the election was called – to help inform Canadians’ electoral choice. During the first few weeks of the campaign, at a time when opinion polls were suggesting a minority Liberal government would be returned to the House of Commons, IRPP released an analysis of Canada’s past experience with minority rule to address some of the perceptions of the stability and quality of minority governments. IRPP also published an assessment of the major parties’ fiscal platforms, with particular emphasis on the Alliance’s unique flat and dual tax proposals, to compare and contrast the parties’ positions and priorities.

During late fall and winter, IRPP published two policy papers by Peter Dobell, Founding Director of the Parliamentary Centre and member of IRPP’s Board of Directors. In addition to the aforementioned analysis of minority governments, Mr. Dobell tackled the issue of parliamentary reform in a second report. Widely cited by Parliamentarians and media commentators, this paper focused on the need to enhance the role of MPs, empower committees and review other procedures of the House of Commons to increase transparency and accountability.

In January, IRPP published ***A State of Minds: Toward a Human Capital Future for Canadians***, a revolutionary look at social and economic policy-making in the new information era, by IRPP Senior Scholar Thomas J. Courchene, one of Canada’s foremost economists. In his first book for the Institute, Courchene tackles the challenges of globalization and the knowledge-based economy head-on and proposes a fundamental rethinking of public policy-making in Canada. To succeed in the information age, Canada must commit itself to fully developing its human capital potential and, thus, become a “state of minds.”

IRPP also released in January a collection of papers entitled ***Adapting Public Policy to a Labour Market in Transition***. Edited by Craig Riddell and IRPP Vice-President (Research) France St-Hilaire, the book takes stock of the ongoing transformation of the labour market and assesses the challenges and avenues for policy reform.

In the winter and spring 2001, IRPP engaged in the policy debate on a number of fronts. Research papers published during this period addressed a variety of issues, from inflation targeting and monetary policy to electoral and democratic reform to culture and trade.

In May, IRPP released *Judicial Power and Canadian Democracy*, a collection of papers on judicial politics initially released as *Choices* in IRPP's Courts and Legislatures series. The book was published by McGill-Queen's University Press.

Also in May, IRPP released the first issue of ***The Review of Economic Performance and Social Progress***. Published jointly with the Centre for the Study of Living Standards (CSLS), this periodical report examines the causal linkages between economic and social outcomes. This first issue, entitled *The Longest Decade: Canada in the 1990s*, focuses on the impact of the turbulent 1990s on the economic and social well-being of Canadians. In thirteen articles, *The Review* explores the defining policy shifts of the 1990s such as the Bank of Canada's inflation targeting strategy, the fight against government deficits, trade liberalization and social reform and provides the first comprehensive assessment of their effects on Canadian society.

In early July, the Institute released the first monograph written for IRPP by Senior Fellow Donald J. Savoie. ***Pulling Against Gravity: Economic Development in New Brunswick During the McKenna Years*** is the first comprehensive analysis of the "McKenna miracle" and, as such, attracted a great deal of attention in New Brunswick and across Canada.

During late spring and summer, IRPP also pursued its ***Strengthening Canadian Democracy*** agenda with studies on direct democracy, the link between political knowledge and declining political participation, the national register of electors and parliamentary reform.

Finally, during the month of July, IRPP focused on the future of federal-provincial relations in Canada. In the days preceding the 42nd Annual Premiers' Conference in Victoria, the Institute released the first of a series of studies on the **Social Union** Framework Agreement. As the Agreement must be reviewed by February 2002, IRPP aims to put fresh analyses into the marketplace to assist policy-makers in their reflection on how best to improve the Agreement in order to strike the appropriate balance between pan-Canadian social policy objectives and provincial autonomy.

In addition to this ambitious publication agenda, IRPP over the last year has organized an impressive array of major policy conferences, public forums and working lunches and dinners. In the fall, in Calgary and Ottawa, the Institute held the last two public forums on democracy. It also held a series of working lunches in Toronto, Montreal and Ottawa on issues as diverse as the flat tax, the fragmentation of the party system, deregulation of the energy sector, the Ontario budget, a North American monetary union and national defence. Additionally, IRPP organized three major conferences: on the challenges to domestic governance created by military interventions abroad (November 2000); on **the linkages between economic growth and inequality**, jointly with CSLS (January 2001); and on **the opportunities and challenges for electoral reform in Canada** (May 2001). In organizing these events, IRPP aims to bring together leading academics and practitioners to ensure the proper links between policy research and policy debate and development.

in support of our
research activities

To support its research activities, IRPP continued to promote **Policy Options** and significantly improve its Website. *Policy Options* continues to complement and support the Institute's research program.

In addition to running independently-acquired articles on a wide range of subjects, it has also published the proceeding of a number of the Institute's conferences. In January-February and March the papers from November 2000's conference on defence and security issues and public opinion appeared, and the July-August issue was devoted entirely to May's conference on "Votes and Seats" — whether the country needs a new system for allocating parliamentary representation or should stick with first-past-the-post. IRPP's facilitating role in the Canadian Transportation Act Review Panel's deliberations also led to a pair of articles on policies for Canada's rail sector.

Other issues that have been dealt with in recent numbers of *Policy Options* include “virtual politics,” the role of civil society organizations in trade negotiations, forest policy practices, the future of the Canadian dollar and other world currencies, Western alienation and differences in administrative practices between Canada and the United States. One innovation the magazine has made has been to increase collaboration with outside sources of “intellectual property.” Thus the April issue on Western alienation featured the transcript of a discussion first aired on CBC’s *This Morning*, while May reproduced a debate on fixed vs. floating currencies between Milton Friedman and Robert Mundell that originally appeared in the *National Post*. These seem to have worked well, so more collaborations are possible in future.

Hard copy subscriptions remain more or less unchanged but the number of downloads of *Policy Options* articles has risen at an average monthly rate of 13 percent over the last year, and in recent months has exceeded 10,000.

Improvements over the past year to IRPP’s Website include: the February launch of an e-commerce service that allows visitors to order **IRPP monographs** online; an enhanced hot links page that now provides **links** to over 150 organizations and research institutes across Canada and in every corner of the globe; and the May launch of a monthly cyber-column by former Southam News foreign correspondent and *Montreal Gazette* Editor **Jim Ferrabee**. These improvements have established **www.irpp.org** as one of the premier Internet portals for policy research and debate in Canada.

going forward:

irpp's research mandate

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or the past 28 years, IRPP's mission has been to present new policy ideas and analyses to help Canadians make effective public policy choices based on informed debate. Since its founding, the Institute has contributed to that debate through independent, nonpartisan research. IRPP's present **research mandate** calls for an integrated and interdisciplinary focus on one core question:

“What are the choices Canada must make in order to optimize and integrate economic performance and social progress in the face of rapid global change, and how can these choices best be made?”

This question, although framed in the Canadian context, echoes the concerns of the governments of most industrialized countries as they strive to achieve the right balance in their efforts to improve social justice and promote economic dynamism.

Canada's economic performance and social progress have always been at the heart of IRPP's research agenda. The research mandate adopted in February 2000 not only builds on these principles but also focuses on the linkages between them in order to identify policies that will maximize the opportunities and well-being of Canadians and further Canada's success as a dynamic and productive economy.

Specifically, IRPP research will highlight common priorities in economic and social policies, as well as the relationships between these and broader issues of domestic and international governance. Canadian efforts to promote economic growth and social progress depend on effective democratic institutions and widespread political participation. The Institute's governance program focuses on these important underpinnings of sound public policy.

Other features of our mandate include:

- > A multidisciplinary approach: It is becoming apparent that the issues facing Canada in the coming decades will not be easily pigeonholed into traditional academic disciplines. Experts in economics, political science, sociology and philosophy, among other disciplines, will be invited to contribute to our research initiatives.
- > Collaboration with other organizations: In order to better fulfil its mandate and pursue its research agenda, the Institute often seeks collaborative arrangements with other organizations whose goal is to promote policy research. Over the past year, the Institute's collaborators on various projects included TVOntario and the Peter Munk Centre at the University of Toronto; the Canadian Policy Research Network (CPRN); the Cable Public Affairs Channel (CPAC); and the Centre for the Study of Living Standards (CSLS).
- > A strong commitment to a mix of short-, medium- and long-term research activities: This ensures a balance between our commitment to contemporary public policy discussions and effective execution of our public education and research dissemination role. Thus, IRPP continues to rely on a mix of events and publications to ensure its ability to link to public debates in a variety of ways. A working lunch program and a series of discussion papers entitled **Policy Matters** and **Policy Options**, IRPP's monthly policy magazine, give our research staff and associates the flexibility necessary to address specific issues in a timely fashion; conferences, monographs and peer-reviewed **Choices** papers enable the Institute to engage on more complex issues.

governance projects

An important aspect of our research is to examine the challenges of domestic and international governance. Canadian efforts to promote economic dynamism and social progress depend on effective democratic institutions and widespread political participation. The Institute's governance program focuses on these important underpinnings of sound public policy, centering on the question, "How should our governance structures be organized to make the right choices in the face of rapid social change?"

Strengthening Canadian Democracy

Since the 1960s, increased levels of education and changing social values have prompted calls for increased democratic participation, both in Canada and internationally. Some modest reforms have been implemented in this country, but for the most part the avenues provided for public participation lag behind the demand. The **Strengthening Canadian Democracy** research program explores some of the democratic lacunae in Canada's political system. In researching options for reform, the focus is on how the legitimacy of our system of government can be strengthened before disengagement from politics and public alienation accelerate unduly. Wherever appropriate, research will also draw on experiences abroad, such as electoral reform in New Zealand, to inform the debate on how best to pursue reforms in Canada.

COURTS and legislatures

Ever since the Charter of Rights and Freedoms came into effect in 1982, Canada's courts have been empowered to strike down provincial and federal legislation deemed to contravene Canadians' basic rights. Controversial from the outset, this expansion of judicial authority has attracted increased public attention in recent years. Landmark rulings on any number of contentious issues, from Aboriginal land claims to gay rights to child pornography, have captured the headlines and sparked a lively public debate about the merits of judicial power. Issues explored in this research project include public opinion and the courts, the selection of Supreme Court judges, judicial activism and the use of the notwithstanding clause since 1982.

governing the canadian federation

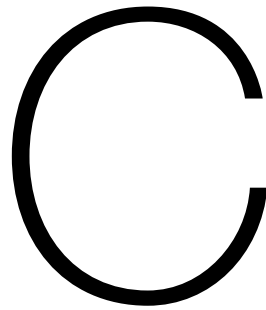
Canadian policy-makers increasingly must come to grips with the need for new modes of governance in the context of a changing global order. It is apparent, even to the most casual observer, that traditional public policy solutions no longer work. In many ways, this is uncharted territory and requires innovative thinking and solutions. A symposium, **"The Art of The State in a World Without Frontiers,"** will take place in the fall of 2001 to look at the impact of new democratic, economic and technological forces on governance and explore how Canada and its regions can best meet them. A number of distinguished scholars from Canada, Europe and the United States have been invited to reflect on issues related to the new economic order, the changing nature of power and democracy, new forms of citizenship, corporate governance, new forms of public services, managing interdependence in a federal state, the future of cities, and international governance and Canada.

back to the table: a new social union for 2002?

Continuing its work on the **Canadian social union**, IRPP has launched a new research initiative to provide an independent review of the Social Union Framework Agreement (SUFA). Signed in February 1999 by the federal, provincial (except Quebec) and territorial governments, SUFA is a time-bound, administrative document delineating intergovernmental relations and responsibilities in the area of social policies. One of its clauses calls on governments to jointly undertake a full review of the Agreement and its implementation and to make appropriate adjustments by the end of its third year (February 2002). As we approach this deadline, this research project is meant to assess the impact of SUFA and its prospects for the future.

Experts have been invited to examine whether SUFA provides a satisfactory framework for the social union, whether it fulfils its expected role with respect to intergovernmental relations and social policy, whether it is a viable arrangement given the non-participation of one of its partners, and whether it should be renewed and under what conditions. Their findings will be published in an edited volume in early 2002.

nexus projects



Canada's economic performance and social progress have always been at the heart of IRPP's research agenda. The research mandate adopted in February 2000 continues to focus not only on these policy areas but also on the linkages between them in order to identify the policy priorities necessary to maximize the opportunities and well-being of Canadians and to benefit from a dynamic and productive economy.

Increasingly, political leaders, academics and practitioners are coming to understand that in order to realize any lasting impact from economic liberalization and democratization programs, fundamental progress must be made simultaneously on the social, political and economic fronts.

Four research projects focusing on the linkages between policy spheres are currently under way:

linkages between economic growth and inequality

In recent years, there has been renewed interest in the impact of inequality on economic growth and the effect of economic growth on the income distribution. To shed light on these relationships in a Canadian context, IRPP has undertaken, in conjunction with the Centre for the Study for Living Standards (CSLS), an extensive research program to investigate the linkages between economic growth and inequality. This project will focus on the mechanisms whereby income and wealth inequalities can impede and/or foster economic growth, the impact of redistribution policies on economic growth and the impact of economic growth on earnings inequality. The first series of papers on this subject will appear in a special issue of *Canadian Public Policy* (forthcoming).

the review of economic performance and social progress

As part of the Institute's Nexus research initiative, IRPP and CSLS launched a periodical, ***The Review of Economic Performance and Social Progress***, which will review the current state of economic performance and social progress in Canada and other countries and examine the causal linkages between economic and social outcomes. The goal of this new periodical is to present non-technical articles that are accessible to students, policy-makers and the general public.

The ongoing economic integration between Canada and other countries, particularly the United States, raises policy issues from two different perspectives. First, many whose livelihood depends on effective trade and investment links between the two countries wish to facilitate these links even further, by intensifying the integration already fostered by trade agreements such as the Canada-US FTA and NAFTA. Second, those concerned about maximizing Canada's room for manoeuvre on a wide range of economic, social and political fronts worry about how this objective can be reconciled with current agreements, let alone with further moves toward greater economic integration.

managing global linkages

Policy-makers need to know whether and how these two perspectives are reconcilable. To the extent they are not, where should our priorities lie? These are the questions that this series seeks to answer.

A series of papers will concentrate on the North American context, where Canada's most advanced trade relationships lie. Entitled "Roadmap to North American Integration," this series will explore issues in the management of linkages that are of particular relevance to Canada's economic relationship with the United States and Mexico. Potential topics were discussed at an experts workshop in Toronto in June 2001, and papers in the series are expected to be published between the fall of 2001 and spring of 2002.

looking ahead

As president, I am truly blessed by a remarkable team headed on the research side by France St-Hilaire, Vice-President (Research), and, administratively, by Suzanne Ostiguy McIntyre, Vice-President (Operations) and Secretary to the Board. The Institute's progress during this past year is largely due to their hard work, advice, counsel, forbearance and support.

IRPP is fully engaged in contributing to an informed public policy debate and in contributing empirical research, informed comment and fresh insights to that debate. We look forward to continuing and strengthening that contribution in the coming years.



Hugh Segal
Montreal

investment committee report

The main objective of the Institute's Endowment Fund is to provide financial support for the work of the Institute. A second objective is to maintain the real value of the Fund so that it can continue to produce significant financial support in future years.

To this end, rather than using income generated by the Fund to support research, the Board of Directors decided in 1986 to withdraw annually an amount equal to 5 percent of the average of the last three year ends capital value of the Fund. For the fiscal year 2001-2002, under this formula the sum available to support the work of the Institute amounts to \$2,074,950.

As evidence of the effectiveness of this policy, income during the last fiscal year amounted to \$1,403,000 and capital gains realized \$1,757,000 amounting together to \$3,160,000.

Three years ago the Investment Committee decided, after interviewing a number of investment firms, to divide the Fund into two equal portions. Knight, Bain, Seath and Holbrook Capital Management Inc., which managed the Fund during most of the last decade, was joined by Beutel, Goodman and Company Ltd. The division formally took place on January 31, 1999.

The two managers have somewhat different management styles and investment philosophies. The following table reports results over the past year for the two fund managers.

Both managers increased their holdings of cash and cash equivalents over the past year and Knight, Bain increased the proportion of funds held in bonds. Beutel Goodman cut the proportion of Canadian stocks and slightly increased the share of U.S. equities.

	Knight, Bain		Beutel Goodman	
	March 31, 2001	March 31, 2000	March 31, 2001	March 31, 2000
Market Value	19,171,000	23,084,000	22,623,000	20,331,000
Asset Mix				
Cash and Equivalent	4.4%	1.8%	9.0%	5.2%
Fixed Income	43.7%	38.5%	40.9%	43.1%
Canadian Equities	22.1%	28.4%	14.3%	17.6%
U.S. Equities	16.7%	15.5%	35.8%	34.1%
Non-N.A. Equities	13.1%	15.8%	—	—
Total Equities	51.9%	59.7%	50.1%	51.7%

Some years ago the Investment Committee established a yardstick for evaluating the performance of the Fund managers. This benchmark consists of a four-year moving average of four indices: Canadian and foreign equities, Canadian bonds and mortgages. Since Beutel Goodman has only been responsible for its part of the Fund for two years, the benchmark does not yet apply. Knight, Bain achieved a rate of return of 10.8 percent, comfortably above the benchmark's rate of 9.3 percent.

The combined market value of the Fund including other current assets, amounted to \$42,015,000. Of this sum, \$1,022,000 represents unexpended monies authorized during the current and prior years for transfer to the operating account that have been left in the Endowment Fund to maximize the funds managed by the investment counsellors.

auditors' report

To the Directors of the Institute for Research on Public Policy

We have audited the statement of financial position of the Institute for Research on Public Policy as at March 31, 2001 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Institute as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

May 16, 2001

statement of operations and changes in fund balances

year ended March 31, 2001 (in thousands of dollars)

	Operating Fund \$	Endowment Fund \$	2001 \$	Total 2000 \$
Revenue				
Investment income (Note 3)	1,273	—	1,273	1,313
Gain on sale of investments (Note 3)	1,762	—	1,762	853
Publications	72	—	72	76
Other	188	—	188	50
	3,295	—	3,295	2,292
Expenses				
General research and support services	2,348	—	2,348	1,501
<i>Policy Options Magazine</i>	266	—	266	272
Publication costs	250	—	250	346
Interest	5	—	5	5
Amortization of capital assets	31	—	31	24
	2,900	—	2,900	2,148
Excess of revenue over expenses	395	—	395	144
Fund balances, beginning of year	1,668	33,876	35,544	35,400
Transfer to Endowment Fund (Note 3)	(958)	958	—	—
Fund balances, end of year	1,105	34,834	35,939	35,544

statement of financial position

as at March 31, 2001 (in thousands of dollars)

	Operating Fund \$	Endowment Fund \$	2001 \$	Total 2000 \$
Assets				
Current assets				
Cash	—	124	124	194
Term deposits	61	—	61	258
Accounts receivable				
Accrued income	—	276	276	263
Due from Endowment Fund *	1,022	—	—	—
Other	93	20	113	186
Inventory	24	—	24	34
Prepaid expenses	76	—	76	13
	1,276	420	674	948
Marketable securities (Note 4)	—	35,460	35,460	34,967
Capital assets (Note 5)	99	—	99	81
	1,375	35,880	36,233	35,996
Liabilities				
Current liabilities				
Bank indebtedness (Note 6)	98	—	98	190
Accounts payable and accrued liabilities	153	24	177	242
Deferred revenue (Note 7)	19	—	19	20
Due to Operating Fund *	—	1,022	—	—
	270	1,046	294	452
Net assets				
Invested in capital assets	99	—	99	81
Internally restricted (Note 8)	—	34,834	34,834	33,908
Unrestricted	1,006	—	1,006	1,555
	1,105	34,834	35,939	35,544
	1,375	35,880	36,233	35,996

* Amounts due to/from each fund are eliminated from the total column.

statement of cash flows

year ended March 31, 2001 (in thousands of dollars)

	2001	2000
	\$	\$
Cash flows from operating activities		
Excess of revenue over expenses	395	144
Gain on sale of investments	(1,762)	(853)
Amortization of capital assets	31	24
Changes in non-cash working capital items (Note 9)	(59)	(109)
	(1,395)	(794)
Cash flows from financing and investing activities		
Purchase of capital assets	(49)	(41)
Purchase of investments	(35,077)	(32,353)
Sale of investments	36,346	32,859
	1,220	465
Net cash outflow	(175)	(329)
Cash position, beginning of year	262	591
Cash position, end of year	87	262
Represented by		
Cash	124	194
Term deposits	61	258
Bank indebtedness	(98)	(190)
	87	262

notes to the financial statements

year ended March 31, 2001 (all tabular amounts are in thousands of dollars)

1 description of organization

The Institute for Research on Public Policy is an independent, national, not-for-profit organization. Its mission is to improve public policy in Canada by promoting and contributing to a policy process that is more broadly based, informed and effective. The Institute is incorporated under the *Canada Business Corporations Act* as a not-for-profit organization and is a registered charity under the *Income Tax Act*.

2 significant accounting policies

These statements have been prepared in accordance with Canadian generally accepted accounting principles, using the deferral method of accounting for contributions.

Fund accounting

The financial statements have been prepared in a manner which segregates the following balances:

- (i) The Operating Fund reports revenue and expenses related to program delivery and administrative activities of the Institute.
- (ii) The Endowment Fund reports resources contributed for endowment. Investment income earned on resources of the Endowment Fund is reported in the Operating Fund.

Revenue recognition

Restricted contributions relating to operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when 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 the Endowment Fund balance.

Operating Fund revenue includes investment income when earned and capital gains or losses when realized.

Inventory

Inventory, consisting of books for sale, is valued at the lower of cost and net realizable value. Cost is defined as direct costs incurred to produce a book and net realizable value is calculated by amortizing actual costs over an assumed shelf life of 18 months.

Capital assets

Capital assets are recorded at cost. Amortization is computed using the straight-line method at rates calculated to amortize the cost of the assets less their residual value over their estimated useful lives. Computer and office equipment are amortized on the straight-line basis over five years. Leasehold improvements are amortized on the straight-line basis over the term of the lease.

Investments

Investments are recorded at the lower of cost and market value.

Gains or losses on disposal of investments are calculated on the average cost basis and are included in the Operating Fund.

Appropriations

The Board of Directors of the Institute may, at its discretion, appropriate to the Endowment Fund all or a portion of any operating surplus.

3

transfer to endowment fund

The Operating Fund retains for its use investment revenue equivalent to 5% (2000 - 5.5%) of the average market value of the Endowment Fund at the end of the three preceding years. Under this formula, the Board of Directors has made available to the Operating fund an amount of \$2,044,283 (2000 - \$2,081,952). As well, the Board of Directors approved the use of \$588,297 for the current year's operations from the Operating Fund accumulated surplus. The balance of the investment income amounting to \$958,000 (2000 - \$62,000) remains in the Endowment Fund.

Investment income earned is reported as follows:

	2001	2000
	\$	\$
Income earned on resources held for endowment	1,403	1,435
Investment management and custodial fees	(139)	(143)
Income earned on resources of the operating fund	9	21
	1,273	1,313

4 marketable securities

	Cost	Market Value 2001	Cost	Market Value 2000
	\$	\$	\$	\$
Bonds	20,083	20,323	19,252	18,863
Stocks	15,377	21,277	15,715	24,429
	35,460	41,600	34,967	43,292

5 capital assets

	Cost	Accumulated Amortization	Net Book Value 2001	Net Book Value 2000
	\$	\$	\$	\$
Computer equipment	294	210	84	60
Office equipment	85	81	4	—
Leasehold improvements	63	52	11	21
	442	343	99	81

6 bank indebtedness

A Canadian chartered bank has provided the Institute with a line of credit of \$500,000 at the prime lending rate. As security for any borrowings under the line of credit, a letter of undertaking has been provided to the lender confirming that the Endowment Fund investments are not subject to any encumbrances which would make them unavailable to service the Institute's debt.

As at March 31, 2001, none of the line of credit has been used as the bank indebtedness results from outstanding cheques alone.

7 deferred revenue

Deferred revenue in the Operating Fund relating to *Policy Options* subscriptions will be reflected as revenue over the term of the subscription.

8 restrictions on net assets

The assets of the Endowment Fund have been internally restricted by the Board of Directors of the Institute stipulating that these assets are to be managed permanently to support the operating activities of the Institute. These internally restricted amounts are not available for other purposes without approval of the Board of Directors.

9 changes in non-cash working capital items

	2001	2000
	\$	\$
Accounts receivable	60	(102)
Inventory	10	(28)
Prepaid expenses	(63)	23
Accounts payable and accrued liabilities	(65)	3
Deferred revenue	(1)	(5)
	(59)	(109)

10 pension plan

The Institute maintains a defined benefit pension plan.

The last triennial valuation was performed by William M. Mercer Limitée as of December 31, 1998. At that date, the market value of pension plan assets was estimated at \$146,100, reflecting a funding excess of \$49,300 over the actuarial liabilities calculated.

11 commitments

The Institute has entered into operating leases relating to equipment and office premises for a total amount of \$76,565, including the following amounts over the forthcoming years:

	\$
2002	69,088
2003	7,477

12 comparative figures

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

irpp board of directors 2001-2002

Miller Ayre

St. John's, Newfoundland

Stephen Harper

Calgary, Alberta

Gordon Thiessen**

Ottawa, Ontario

Marcel Côté

Montreal, Quebec

John Helliwell

Vancouver, British Columbia

Manon Vennat

Montreal, Quebec

Nellie Cournoyea

Inuvialuit, Northwest Territories

Shira Herzog**

Toronto, Ontario

Peter White

Toronto, Ontario

Peter Dobell

Ottawa, Ontario

Pierre Marc Johnson

Montreal, Quebec

Alfred G. Wirth

Toronto, Ontario

Doug Emsley

Regina, Saskatchewan

Roland Lutes

Fredericton, New Brunswick

Jean-Guy Finn*

Fredericton, New Brunswick

Kathleen Mahoney

Calgary, Alberta

Brian Flemming

Halifax, Nova Scotia

Maurice Pinard*

Montreal, Quebec

**Germaine Gibara
(Vice-Chair)**

Montreal, Quebec

**Bob Rae
(Chair)**

Toronto, Ontario

**Members of
compatible
organizations**

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Calgary, Alberta

Frederick Gorbet*

Toronto, Ontario

**Hugh Segal
(President)**

IRPP, Montreal, Quebec

Desmond Morton

Montreal, Quebec

Yves Guérard

Montreal, Quebec

Robbie F. Shaw

Halifax, Nova Scotia

David Zussman

Ottawa, Ontario

Denis Stairs

Halifax, Nova Scotia

* members of the Board whose
mandate came to an end during
the year.

** new members, elected June 2001.