

The Fraser Institute

Non-consolidated Financial Statements
December 31, 2021



Independent auditor's report

To the Directors of The Fraser Institute

Our opinion

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of The Fraser Institute (the Institute) as at December 31, 2021 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.

What we have audited

The Institute's non-consolidated financial statements comprise:

- the non-consolidated statement of financial position as at December 31, 2021;
- the non-consolidated statement of operations for the year then ended;
- the non-consolidated statement of changes in net assets for the year then ended;
- the non-consolidated statement of cash flows for the year then ended; and
- the notes to the non-consolidated financial statements, which include significant accounting policies and other explanatory information.

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 non-consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Institute in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Responsibilities of management and those charged with governance for the non-consolidated financial statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Institute'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 Institute or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the non-consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated 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 non-consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the non-consolidated 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 Institute'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 Institute'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 non-consolidated 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 Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Institute to express an opinion on the non-consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia

April 21, 2022

The Fraser Institute
 Non-consolidated Statement of Financial Position
 As at December 31, 2021

	2021 \$	2020 \$
Assets		
Current assets		
Cash and cash equivalents	10,162,859	8,509,139
Accounts receivable (note 4)	168,370	147,505
Prepaid expenses	315,369	236,643
	<hr/>	<hr/>
	10,646,598	8,893,287
Investments (note 5)	5,270,840	3,840,174
Property and equipment (note 6)	192,679	284,140
	<hr/>	<hr/>
	16,110,117	13,017,601
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities (note 12(e))	2,878,739	1,847,677
Accrued employee pension liability (note 7)	897,845	707,801
Deferred program revenue (note 8)	10,629,962	9,112,231
	<hr/>	<hr/>
	14,406,546	11,667,709
Lease inducement	22,081	18,221
	<hr/>	<hr/>
	14,428,627	11,685,930
Net Assets		
Net assets invested in property and equipment	192,679	284,140
Unrestricted net assets	1,488,811	1,047,531
	<hr/>	<hr/>
	1,681,490	1,331,671
	<hr/>	<hr/>
	16,110,117	13,017,601
Commitments (note 10)		

Approved by the Board of Directors

_____ Director _____ Director

The accompanying notes are an integral part of these non-consolidated financial statements.

The Fraser Institute

Non-consolidated Statement of Operations

For the year ended December 31, 2021

	2021 \$	2020 \$
Revenue		
Donations and other admission fees (note 12(c) and (d))	9,652,317	8,829,153
Investment income	359,463	260,506
Sale of publications	2,395	790
Other income	4,037	7,185
	<hr/> 10,018,212	<hr/> 9,097,634
Expenses		
Staff salaries and benefits (note 7)	5,318,133	5,489,691
Project costs	2,879,688	2,146,991
Rent and property tax (note 12(a))	750,693	782,224
Office and other administration	422,829	285,151
Amortization	112,857	122,551
Professional fees	171,821	217,730
	<hr/> 9,656,021	<hr/> 9,044,338
Donations to Fraser Institute Foundation (note 12(e))	361,500	52,500
	<hr/> 10,017,521	<hr/> 9,096,838
Operating surplus before the undernoted	691	796
Foreign exchange loss	(2,758)	(33,780)
Increase (decrease) in fair value of investments	351,886	(116,940)
Operating surplus (deficit)	<hr/> 349,819	<hr/> (149,924)

The accompanying notes are an integral part of these non-consolidated financial statements.

The Fraser Institute

Non-consolidated Statement of Changes in Net Assets

For the year ended December 31, 2021

			2021	2020
	Property and equipment \$	Unrestricted \$	Total \$	Total \$
Net assets – Beginning of year	284,140	1,047,531	1,331,671	1,481,595
Operating surplus (deficit)	(112,857)	462,676	349,819	(149,924)
Investment in property and equipment	21,396	(21,396)	-	-
Net assets – End of year	192,679	1,488,811	1,681,490	1,331,671

The accompanying notes are an integral part of these non-consolidated financial statements.

The Fraser Institute

Non-consolidated Statement of Cash Flows

For the year ended December 31, 2021

	2021 \$	2020 \$
Cash provided by (used in)		
Operating activities		
Operating surplus (deficit)	349,819	(149,924)
Items not affecting cash		
Amortization	112,857	122,551
(Increase) decrease in fair value of investment	(351,886)	116,940
	<hr/>	<hr/>
	110,790	89,567
Changes in non-cash working capital		
Accounts receivable	(20,865)	(93,708)
Prepaid expenses	(78,726)	(27,379)
Accounts payable and accrued liabilities	1,034,922	(124,480)
Accrued employee pension liability	190,044	129,894
Deferred program revenue	1,517,731	1,767,482
	<hr/>	<hr/>
	2,753,896	1,741,376
Investing activities		
Purchase of investments	(1,078,780)	(1,533,044)
Purchase of property and equipment	(21,396)	(14,722)
	<hr/>	<hr/>
	(1,100,176)	(1,547,766)
Increase in cash and cash equivalents	1,653,720	193,610
Cash and cash equivalents – Beginning of year	8,509,139	8,315,529
	<hr/>	<hr/>
Cash and cash equivalents – End of year	10,162,859	8,509,139
	<hr/>	<hr/>

The accompanying notes are an integral part of these non-consolidated financial statements.

The Fraser Institute

Notes to Non-consolidated Financial Statements

December 31, 2021

1 Nature of organization

The Fraser Institute (the Institute) is incorporated without share capital under Part II of the Canada Corporations Act.

The Institute is a not-for-profit organization that was founded in 1974 to redirect public attention to the role markets can play in providing for economic and social well-being of Canadians. Its ambition is to improve the conduct of public policy and to increase the reliance on markets as a way to solve the economic problems of society.

These non-consolidated financial statements do not include the assets, liabilities and results of operations of the Fraser Institute Foundation (the Foundation) and Atlantic Institute for Market Studies (AIMS), entities controlled by the Institute (note 11).

2 Accounting policies

Fund accounting

The Institute prepares its financial statements in accordance with the Chartered Professional Accountants (CPA) Canada Handbook – Accounting, Part III, Accounting Standards for Not-for-Profit Organizations.

The Institute maintains its accounts in accordance with the restrictions on the use of resources as designated by donors or the Board of Directors. Accordingly, resources are classified for accounting and financial reporting purposes into funds. To meet the ongoing objectives of the Institute, certain interfund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. Transfers between funds are made when appropriate, as authorized by the Board of Directors. These interfund transfers are recorded in the non-consolidated statement of changes in net assets.

- a) Assets invested in property and equipment reflect the Institute's property and equipment at cost less amortization and any related capital lease obligations.
- b) The unrestricted net assets fund reports donations received for which no explicit restrictions, either internally or externally imposed, exist on their use. The fund comprises the unrestricted net assets from the Institute's operations each year and is available for use in the general operations of the Institute.

Revenue recognition

The Institute uses the deferral method for recognition of revenue from annual dues and donations. Under this method, restricted dues and donations are recognized as revenue in the year in which the related expenses are incurred. Unrestricted dues and donations are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

The Fraser Institute

Notes to Non-consolidated Financial Statements

December 31, 2021

Cash and cash equivalents

Cash and cash equivalents may consist of cash on hand, balances with banks and investments in short-term money market instruments with initial terms of 90 days or less.

Financial instruments

Financial assets and liabilities are initially measured at fair value and subsequently carried at either fair value or amortized cost. The Institute carries its cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and accrued employee pension liability at amortized cost using the effective interest rate method. The Institute carries its investments at fair value.

Investments

The Institute's equity portfolio is designated at fair value. Purchases and sales of investments are accounted for on a trade date basis.

These investments are recorded at fair value using the transactional net asset value, with changes in the fair value recorded in the non-consolidated statement of operations. Gains and losses on sale of investments are recorded in the non-consolidated statement of operations. Dividends or distributions earned and interest income earned are recorded to investment income.

Property and equipment

Property and equipment are stated at cost, net of accumulated amortization.

Amortization is provided over the estimated useful life of an asset as follows:

Furniture, fixtures and equipment	3 – 10 years straight-line
Leasehold improvements	over term of lease
Website	3 – 5 years straight-line

Foreign exchange

Foreign currency investments are initially translated at exchange rates at the date of purchase. Foreign currency movements on fair value financial instruments are translated using exchange rates in effect as at the date of the non-consolidated statement of financial position, with increases (decreases) in unrealized gains (losses) recorded in the non-consolidated statement of operations. Other assets and liabilities considered to be monetary items are translated at exchange rates in effect at the reporting date with realized gains and losses and unrealized gains and losses arising from translation included within the non-consolidated statement of operations. Revenue and expenses are translated using average monthly exchange rates.

The Fraser Institute

Notes to Non-consolidated Financial Statements

December 31, 2021

Use of accounting estimates

The preparation of non-consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) requires the Institute's management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities as at the date of the non-consolidated financial statements and the reported amounts of revenue and expenses during the reporting period presented. Actual results could differ from those estimates.

3 Income tax status

The Institute is registered in Canada as a tax-exempt charitable organization under paragraphs 149(1)(f) and 149.1(1)(b) of the Income Tax Act (Canada) and in the United States as a tax-exempt organization under Sections 501(c)(3) and 4948(a) of the Internal Revenue Code. Accordingly, donations to the Institute are deductible for income tax purposes by donors from Canada and the United States, and the Institute is not subject to income tax.

4 Accounts receivable

	2021 \$	2020 \$
Donations receivable	92,932	89,155
Other	75,438	58,350
	<hr/> 168,370	<hr/> 147,505

5 Investments – at fair value

	2021 \$	2020 \$
Pooled fund – fixed income and equities	<hr/> 5,270,840	<hr/> 3,840,174

6 Property and equipment

	<hr/> 2021		<hr/> 2020	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Website	154,878	(129,065)	25,813	76,334
Leasehold improvements	222,386	(110,769)	111,617	136,454
Furniture, fixtures and equipment	224,830	(169,581)	55,249	71,352
	<hr/> 602,094	<hr/> (409,415)	<hr/> 192,679	<hr/> 284,140

The Fraser Institute

Notes to Non-consolidated Financial Statements

December 31, 2021

7 Employee future benefits

The Institute has a group retirement savings plan and a registered pension plan for its employees. Contributions paid or payable by the Institute to the plans during the year of \$441,599 (2020 – \$364,975) have been recorded as a cost of staff salaries and benefits. In addition, the Institute has a supplementary pension plan for executives which is unfunded and is recorded as an accrued employee pension liability.

8 Deferred program revenue

Deferred program revenue represents funds donated from third parties for programs and seminars that have not concluded in the current fiscal year or for which there are externally imposed restrictions. Movements in deferred program revenue are as follows:

	2021 \$	2020 \$
Balance – Beginning of year	9,112,231	7,344,749
Less: Amounts recognized as revenue in the year	(4,135,258)	(4,448,414)
Add: Amounts received and not recognized as revenue during the year	5,652,989	6,215,896
Balance – End of year	<u>10,629,962</u>	<u>9,112,231</u>

9 Line of credit

The Institute has a \$1 million revolving line of credit with interest at prime plus 0.5% with the Royal Bank of Canada. The Foundation has provided a guarantee of \$1 million in support of this line of credit. The line of credit was unused during 2021 and 2020.

10 Commitments

The Institute renewed its Vancouver premises lease agreement on November 1, 2016 and has operating lease commitments until October 31, 2026 (note 12(a)). The Institute renewed its Calgary premises leases agreement on March 15, 2019 (effective February 1, 2020) and has operating lease commitments until January 31, 2030. The Institute signed its Halifax premises lease agreement on May 1, 2020 and has operating lease commitments until April 30, 2025.

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Notes to Non-consolidated Financial Statements

December 31, 2021

As at December 31, 2021, lease commitments for the operating lease terms are as follows:

	\$
2022	391,386
2023	391,600
2024	391,707
2025	376,941
2026	316,845
Thereafter	89,012
	<u>1,957,491</u>

11 Controlled entities

a) Fraser Institute Foundation

The Foundation was incorporated in 2003 as a corporation without share capital under Part II of the Canada Corporations Act. The Foundation is a registered public foundation for tax purposes. In 2006, the Institute transferred certain assets to the Foundation for the Foundation to hold and administer in a manner consistent with the Foundation's objectives, which include furthering the interests and objectives of the Institute. The Foundation may, in the future, make grants to the Institute to fund the ongoing research activities of the Institute.

The net assets and results from operations of the Foundation are not consolidated in the Institute's non-consolidated financial statements. Financial statements of the Foundation are available on request. The financial summary of the Foundation as at December 31, 2021 and for the year then ended is as follows:

	2021 \$	2020 \$
Financial position		
Total assets	21,315,570	18,212,133
Total liabilities	<u>(2,813,368)</u>	<u>(2,467,191)</u>
Net assets	<u>18,502,202</u>	<u>15,744,942</u>
Results of operations		
Revenue	1,256,244	690,109
Expenses	(1,341,893)	(1,219,448)
Foreign exchange	(30)	(817)
Change in fair value of investments and realized gain (loss) on sale of investments	509,520	(209,765)
Share in earnings from investments in co-ownership	<u>536,736</u>	<u>500,504</u>
Increase (decrease) in unrestricted net assets from operations	<u>960,577</u>	<u>(239,417)</u>

The Fraser Institute

Notes to Non-consolidated Financial Statements

December 31, 2021

	2021 \$	2020 \$
Cash flows		
Cash flows from operating activities	(905,849)	(225,259)
Cash flows from financing activities	1,300,000	3,043,539
Cash flows from investing activities	1,087,044	(2,521,006)
	<u>1,481,195</u>	<u>297,274</u>
Cash and cash equivalents – Beginning of year	<u>1,358,007</u>	<u>1,060,733</u>
Cash and cash equivalents – End of year	<u>2,839,202</u>	<u>1,358,007</u>

b) Atlantic Institute for Market Studies

On November 22, 2019, the Institute acquired control of AIMS. The net assets and results from operations of AIMS are not consolidated in the Institute's non-consolidated financial statements. The financial summary of AIMS as at September 30, 2021 and for the year then ended is as follows:

	2021 \$	2020 \$
Financial position		
Total assets	252,103	111,892
Total liabilities	(180,166)	(93,166)
Net assets	<u>71,937</u>	<u>18,726</u>
Results of operations		
Revenue	141,500	208,700
Expenses	(88,289)	(208,146)
Increase in unrestricted net assets from operations	<u>53,211</u>	<u>554</u>
Cash flows		
Cash flows from operating activities	53,833	138,698
Cash flows from financing activities	95,000	(37,276)
	<u>148,833</u>	<u>101,422</u>
Cash and cash equivalents – Beginning of year	<u>101,422</u>	<u>-</u>
Cash and cash equivalents – End of year	<u>250,255</u>	<u>101,422</u>

The Fraser Institute

Notes to Non-consolidated Financial Statements

December 31, 2021

12 Transactions with the Foundation and related parties

The transactions below were made in the normal course of business and were measured at the exchange amount:

- a) The Institute rents its main premises from a company co-owned by the Foundation for a rental and operating expense of \$554,440 (2020 – \$579,501).
- b) The Institute provides certain non-cash management services and pays certain administrative fees on behalf of the Foundation, without reimbursement.
- c) Included in donations revenue are donations of \$1,444,866 (2020 – \$1,201,089) from Board of Director members.
- d) During the year, the Foundation made a donation of \$980,486 (2020 – \$866,734) to the Institute. This donation was recognized as revenue by the Institute.
- e) During the year, the Institute made a donation to the Foundation of \$361,500 (2020 – \$52,500). This donation was recognized as revenue by the Foundation. As at December 31, 2021, \$361,500 (2020 – \$52,500) was included in accounts payable and accrued liabilities.

13 Financial risk management objectives and policies

Credit risk

The Institute is exposed to credit risk principally through its investment securities. The Institute has policies to limit and monitor its exposure to individual issuers and classes of issuers of investment securities that do not carry the guarantee of a national or Canadian provincial government.

Price risk

Price risk comprises currency risk, interest rate risk, market risk and other price risk.

- a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Variations in exchange rates between the Canadian dollar and foreign currency will affect the operating and financial results. The Institute earns a portion of its donation revenue and incurs certain expenses in US dollars and does not use derivative instruments to reduce its exposure to this foreign exchange risk. As at December 31, 2021, the Institute is holding \$2,756,896 (2020 – \$1,879,316) in a US dollar denominated bank account.

The Fraser Institute

Notes to Non-consolidated Financial Statements

December 31, 2021

b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Institute has no significant direct exposure to interest rate risk.

c) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Institute's investments are subject to market risk through its investments in pooled funds. The Institute mitigates this risk by diversifying its investments across asset classes and by using professional investment management services.

Liquidity risk

Liquidity risk is the risk that the Institute cannot meet the demand for cash or fund its obligations as they become due. Management minimizes its exposure to liquidity risk by regularly monitoring cash flows. The Institute is not exposed to significant liquidity risk.

There have not been any significant changes in risk exposure from prior years.