



**THE PIERRE ELLIOTT TRUDEAU FOUNDATION
BUSINESS PLAN 2017-2018**

Prepared for Innovation, Science and Economic Development

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1. BACKGROUND

The Pierre Elliott Trudeau Foundation is an independent and non-partisan charity established in 2001 as a living memorial to the former prime minister by his family, friends, and colleagues. In 2002, with the support of the House of Commons, the Government of Canada endowed the Foundation with the \$125 million Advanced Research in the Humanities and Human Sciences Fund. The Foundation also benefits from private donations.

By granting doctoral scholarships, awarding fellowships, appointing mentors, and holding public events, the Foundation encourages critical reflection and action in four areas important to Canadians: human rights and dignity, responsible citizenship, Canada's role in the world, and people and their natural environment.

The Foundation is governed by a diverse and distinguished board of up to 18 directors. Two seats are reserved for directors appointed by the Minister of Innovation, Science and Economic Development and another two for representatives of the family of the late Right Honourable Pierre Elliott Trudeau. The Board and its committees oversee the Foundation's \$151 million in assets and annual operating budget of \$6.5 million. They also set the Foundation's policies and directions for its programs.

The mission statement adopted by the Board of Directors guides the work of the Foundation and its Business Plan for 2017-2018:

Mission statement

The Pierre Elliott Trudeau Foundation promotes outstanding research in the humanities and social sciences, and fosters a fruitful dialogue between scholars and policymakers in the arts community, business, government, the professions, and the voluntary sector.

The Foundation

- *encourages emerging talent by awarding scholarships to the most talented doctoral students in Canada and abroad;*
- *appoints distinguished fellows and mentors for their knowledge and wisdom, to build an intellectual community to support the work of the scholars; and*
- *creates and maintains an international network of fellows, scholars, and mentors.*

2. FOUR CORE ACTIVITIES

The Foundation is dedicated to the delivery of four core programs: three funding programs to support scholars, fellows, and mentors, and an expanding Public Interaction Program that nurtures knowledge acquisition, transfer, and exchange among and between the Foundation's program beneficiaries and the public. The Foundation's annual cycle of activities revolves around these four main programs.

To date, the Foundation has disbursed \$58 million through its programs. Of this sum, transfers to individuals account for \$37 million. More specifically, so far the Foundation has granted 217 doctoral scholarships, helping to develop some of the brightest minds in Canada and around the world; given the scholars access to 128 mentors – eminent Canadian public and private sector leaders who expose the scholars to a variety of milieu; and promoted the research and creative work of 68 fellows, who figure among Canada’s top intellectuals.

Scholarships

Around fifteen scholarships are awarded each year to support doctoral candidates pursuing research within the Foundation’s four priority domains. Our scholars are accomplished students who are actively engaged in their field and who demonstrate strong leadership potential. A core component of the Scholarship Program is the development of the scholars’ ability to apply their expertise in non-academic spheres and to engage with the diverse members of the Pierre Elliott Trudeau Foundation community and with the public at large.

The scholars come from a wide variety of disciplines and represent all regions of the country. They are recruited with the expectation that they will look with fresh eyes at crucial emerging social issues within the Foundation’s four themes. The 2017 doctoral scholarship competition attracted 260 applications from Canadian and foreign universities (208 in 2016). Applications were reviewed by an eight-member external file review committee, which conducted screening interviews with semi-finalists before presenting the Board of Directors with a list of fifteen finalists.

Around a dozen Foundation scholars are expected to complete their doctorate in 2017-2018, bringing the number of degrees obtained since the program’s beginning to almost 150.

Mentorships

The Mentorship Program forges intellectual and personal bonds between talented doctoral students and renowned Canadians with extensive experience in public life. Up to 11 mentors are appointed each year. Our mentors are drawn from an array of professional backgrounds in business, the public service, law, the arts, journalism, and community organizations. Mentors’ achievements have allowed the mentors to build extensive national and international networks that they share readily with the Foundation’s community.

In the 2017 call for nominations, the Foundation considered 52 nominations (61 in 2016). Before being submitted to the Board of Directors for approval, the mentorship candidates’ files were screened and selected by a file review committee composed of two mentors, two scholars, and a friend of the Foundation. The members of the file review committee came from backgrounds that included journalism, philanthropy, and the public service. In 2017, the Foundation appointed 11 mentors. Most mentors’ terms are for three years; a few are for two years.

Fellowships

Each year, up to five outstanding public intellectuals are appointed fellows in recognition of their research contributions and their commitment to policy engagement. Since 2014, fellows are also appointed on the basis of a project – their proposal for work on an issue of public importance to Canada and the world, that draws on the multidisciplinary expertise of Foundation mentors,

scholars, and other fellows. The Foundation's support allows fellows to make extraordinary contributions in their field through leading-edge research and creative accomplishments. As the Fellowship Program grows, it builds a network of intellectuals working from a variety of perspectives to address critical social and public issues.

The disciplines in which the fellows specialize range from political science and international relations to public policy, law, geography, history, literature, sustainable development, sociology, philosophy, public administration, international affairs, and cinema and media studies. Most fellows adopt a multidisciplinary approach to their work.

The 2017 fellow selection cycle consisted of a two-step process in which a six-member external selection committee assessed 55 eligible nominations (31 in 2016) in several stages before recommending five regular fellows for approval by the Board of Directors.

Engagement and Public Interaction

The Public Interaction Program builds on the expertise of the international network of individuals selected by the Foundation through its three grant-giving programs. Public Interaction Program events and the Foundation's travel and research allowances provide members of the Foundation community with unique opportunities to learn and exchange research, ideas, and proposals, and to share knowledge with colleagues from different disciplines and backgrounds. Through varied formats – an annual conference, occasional seminars and workshops, publications, and targeted-area-of-inquiry projects – the Public Interaction Program is the vehicle through which the Foundation enables its scholars, fellows, and mentors to engage together and with other individuals and organizations to deepen our collective understanding of major issues that affect Canadians and global society. (See details of 2016-2017 events in section 3.)

3. ACHIEVEMENTS IN 2016-2017

Delivering results

The Foundation successfully delivered on all the commitments in its business plan for 2016-2017. Notably, the Foundation:

- ✓ **Selected 15 new 2017 scholars** – a \$2.7 million commitment over up to four years to support fifteen outstanding PhD students studying in Canada and abroad. All of the scholars are actively engaged in their fields and are expected to become leading figures within and beyond academia. The Foundation currently funds 59 scholars. In 2016-2017, the Foundation invested \$1.7 million in the Scholarship Program.
- ✓ **Appointed 11 2017 mentors** – offering \$385,000 for two- or three-year terms to eleven highly accomplished Canadians from diverse backgrounds who were paired with 2015 Foundation scholars to help the doctoral students connect to networks in the realms of policy, government, philanthropy, law, business, the arts, and journalism. Twenty-one mentors are currently enrolled. In 2016-2017, the Foundation invested \$237,000 in the Mentorship Program.

- ✓ **Appointed five 2017 fellows** – an investment of \$1.1 million over three years in five outstanding Canadian intellectuals who have set themselves apart through their research achievements, their creativity, and their public engagement. The 2017 fellowship appointments will be announced on 19 September 2017. Eighteen fellows are currently enrolled in the Fellowship Program. In 2016-2017, the Foundation invested \$1.54 million in the program.
- ✓ **Hosted eight public interaction events and supported eight other events** organized by Foundation community members. In 2016-2017, the Foundation invested \$1.4 million in the Public Interaction Program.

Events hosted by the Foundation:

- Announcement of the 2016 fellows, Montréal, QC, 20 September 2016 (80 participants).
- Thirteenth Annual Pierre Elliott Trudeau Foundation Conference, “Building Community: Ideas for the Future of Citizenship and Belonging,” Vancouver, British Columbia, 16-17 November 2016 (200 participants). Partners: BMO Financial Group, McCall MacBain Foundation, McLean Group, Panicaro Foundation, Rennie Foundation.
- “How Ottawa Works: Points of Entry for Research and Evidence,” Ottawa, Ontario, 6-7 February 2017 (29 participants).
- Media training workshop, Winnipeg, Manitoba, 6-7 May 2017 (35 participants). Partner: Aboriginal Peoples Television Network.
- Summer Institute, Winnipeg, Manitoba, 7-11 May 2017 (120 participants).
- “Timeline 150: Quebec, Canada, and the Weight of History,” Big Thinking Lecture by scholar Andréanne LeBrun and fellow Jocelyn Létourneau at the 2017 Congress for the Humanities and Social Sciences, Toronto, Ontario, 29 May 2017 (80 participants). Partners: Federation for the Humanities and Social Sciences, Ryerson University.
- “Engaged Scholarship, An Engaged Career,” career corner panel at the 2017 Congress for the Humanities and Social Sciences, Toronto, Ontario, 30 May 2017 (25 participants). Partners: Federation for the Humanities and Social Sciences, Ryerson University.
- “Understanding Washington: Change, Research and Institutions,” 12-13 June 2017 (21 participants).

Events supported by the Foundation:

- Scholars’ Workshop, “Social Science, Charter Litigation, and Policy Change,” organized by scholars Lisa Kerr and Benjamin Perryman on 16 November 2016 (80 participants).
- Business roundtables, “The Economic Benefits of Diversity,” targeted-area-of-inquiry project The Pluralism Project, organized by fellow Bessma Momani and mentor Jillian Stirk in seven Canadian cities between October 2015 and December 2016.

- “Walrus Talks: We Desire a Better Country” talks by scholars Wendell Adjetey, Aaron Mills, and Zoe Todd, in Toronto, Surrey, and Yellowknife, respectively, between March and May 2017.
 - “Growing Worker Power,” workshop co-organized by scholar Anelyse Weiler in Vancouver, British Columbia, on 18 March 2017.
 - “Pluralism and Islam: Muslim Citizenship in Western Liberal Democracies,” symposium co-organized by scholar Tammara Soma in Toronto, Ontario, on 20 March 2017.
 - “Canada Drug Futures Forum,” targeted-area-of-inquiry symposium organized by five scholars in Ottawa, Ontario, on 4-5 April 2017.
 - “The Diversity Dividend: Canada’s Global Advantage,” launch of the findings of the targeted-area-of-inquiry project The Pluralism Project in Ottawa, Ontario, on 24 April 2017.
 - “Indigenous Peoples’ Land Rights and the Roles of Ethnoecology and Ethnobotany,” research project of fellow Nancy Turner, in Victoria, British Columbia, on 2-5 May 2017.
- ✓ **Supported six targeted-area-of-inquiry projects** and considered two new project proposals requesting support in 2017-2018.
- ✓ Continued to develop **a new leadership curriculum** and to implement **alternative ways of learning, knowledge-sharing, and collaboration**.
- ✓ **Continued to review and update the selection process and criteria for awardees** to align with the Foundation’s new strategic directions.
- ✓ Pursued the implementation of the **bridging plan for the Foundation’s sustainability**.
- ✓ Engaged the Government of Canada to **align the Fund’s investment policy with the current investment management framework**.
- ✓ Responded to 18 formal requests and 23 informal **requests filed under the Access to Information Act** (a six-fold increase over last year and tenfold over 2013).
- ✓ Continued to renew the Foundation’s governance, **recruiting one new director, a former Scholarship Program recipient**.

Working together on critical issues

Since 2001, the mission of the Pierre Elliott Trudeau Foundation has been to support a community of people whose research and public engagement advances one or more of the Foundation’s four themes: human rights and dignity, responsible citizenship, Canada in the world, and people in their natural environment.

But the Foundation does more than disburse funds. What is unique about the Foundation’s mission is its dedication to helping the two components of its community’s work – research and engagement – function together. So while the Foundation always looks to support research of the highest quality, the Foundation does not believe that excellence in research is sufficient. Rather, it

holds that research findings must be made accessible to citizens, to governments, to civil society, and to the private sector with a view to addressing some of the complex problems facing Canada and the world. This is why the Foundation prizes the calibre of the research it supports no more than it does the civic engagement of its growing network of more than 410 scholars, fellows, and mentors, of which some 310 are alumni. These people form an intergenerational and interdisciplinary community of intellectuals and practitioners who are passionate about promoting enlightened dialogue on issues of public importance for our collective future.

The Foundation has dedicated \$18 million over the years to engaging the public and informing the public discourse in Canada. And it continues to be our view that good scientific knowledge should be shared beyond academic circles so as to deepen our collective knowledge on important issues, to inform decision-making, and to improve Canadians' lives.

In 2015, the Foundation made the decision to devote significant energy and resources over the next few years to gaining a fuller understanding of three areas of inquiry critical to Canada's future: (1) pluralism, diversity, and the future of citizenship; (2) Indigenous relations in Canada; and (3) water, energy, and food security. Not only are these areas central to the well-being of Canadians and other citizens of the world, they are also areas where the Foundation has developed considerable expertise. Moreover, they are areas that require multidisciplinary and multisectoral perspectives and would benefit from sustained work over a few years' time.

In 2016-2017, the Foundation invested \$130,000 (\$150,000 in 2015-2016) of its Public Interaction Program envelope in three new targeted-area-of-inquiry projects that address compelling issues of public interest: the economic benefits of diversity, food security in the North, and non-medicinal drug policy in Canada. The Foundation will continue to devote a portion of its Public Interaction Program budget to these areas of inquiry over the next few years.

4. THE YEAR AHEAD: ADAPTING TO A CHANGING ENVIRONMENT

The Foundation believes in the importance of the social sciences and the humanities to the lives of Canadians. Well beyond funding research, the Foundation's goals are to encourage engagement by its community members and to generate and enhance public debate on society's major issues.

The domestic and international environment has evolved significantly since the Foundation was established in 2001 and the Fund was created in 2002. The way that the Foundation operates and delivers its programs has evolved as well. In April 2017, the expert panel on Canada's Fundamental Science Review released its report. The Foundation was pleased to note that the Foundation is already active in several of the areas of need highlighted in the report and in which the Foundation has invested extra effort in the last couple of years. These areas include generating knowledge on critical issues such as equity, diversity, and Indigenous relations in Canada, and adopting promising approaches such as multidisciplinary research, Indigenous Canadians' participation in the scientific community, training for doctoral students, and support of early career researchers. The Foundation will continue to emphasize the importance of these aspects of its work.

The Foundation believes that how we work is as important as what we do. In that spirit, in the year ahead, the Foundation will work on two major goals: (a) continuing to find ways to increase the impact of its programs, and (b) ensuring its financial sustainability to support current and future initiatives.

This is a multi-year endeavour, and the Foundation has already embarked upon changes to adapt to a changing environment. This business plan outlines a few of the steps that the Foundation will take in that direction in 2017-2018.

Our goals

a) Finding new ways to increase our impact

The creation and dissemination of knowledge are central to the Foundation's mission. It is by encouraging these functions that the Foundation constantly seeks to increase its community's long-term impact on issues and ideas that are key to our collective future. Increasing, measuring, and demonstrating our impact are among our everyday concerns.

Some of the strategies we will employ this year are as follows:

- **Deepening our understanding of our three targeted areas of inquiry and our four original themes** by continuing to fund new research and engagement projects, produce events, and support events organized by Foundation awardees (see section 3 for projects and events related to the three targeted areas of inquiry).
- **Offering a curriculum based on our existing program cycle that fosters and maximizes awardees' individual and collective engagement and develops awardees' leadership skills.** These skills include sharing knowledge outside the academy, conducting collaborative and cross-sectorial work, working with governments, acquiring a deeper understanding of Canada and the world, and developing a softer set of skills essential to non-hierarchical leadership. The Foundation intends to offer more small-group training workshop such as the "How Ottawa works" and the "Better Understanding Washington" sessions held in 2017. It will also encourage its scholars, fellows, and mentors to reach out to and partner with other individuals and organizations interested in big issues for Canada and the world.
- **Communicating more robustly** about the individual work of Foundation scholars, fellows, and mentors; projecting their collective efforts on our targeted-area-of-inquiry projects more broadly; and sharing how community members' efforts benefit the country. We will do this through such mechanisms as op-ed writing workshops and media interview training for scholars, and by posting news, events, and publications profiling the research and engagement work of Foundation program recipients in our monthly newsletter, which reaches some 5,000 recipients from various sectors.
- **Leveraging our network's expertise** by emphasizing the unique position of the Foundation as an independent, non-partisan convener of informed discussion on issues of interest to the present and future of Canada and the world. Beyond the generous financial support offered to its program recipients, it is the Foundation's ability to tap this brilliant and engaged network of expertise and experiences in the four original themes that makes its work more relevant than ever.

- **Better measuring our impact** by using more comprehensive mechanisms to collect, aggregate, and analyze data. For this, Foundation staff is inspired by best practices of other organizations in the science and innovation sector in Canada. This year, we will start collecting comparable data from active scholars, fellows, and mentors to better track the enabling impact of the Foundation's programs on research and engagement in Canada and the world.

b) Ensuring our financial sustainability

To realize this ambitious program, the Foundation must allocate resources wisely and maximize revenues. These goals will be realized in part by implementing the bridging plan (see section 7 for more information); they will also be furthered by Management's plans to increase productivity and innovation more generally.

In terms of resource allocation, the Foundation is in a transition period. Management is constantly looking for efficiencies in how it operates, including in how it uses technology. The Foundation also continually reviews its use of its resources to respect the conditions stated in its funding agreement. This said, 15 years after the inception of its programs, it has become evident that some of the restrictions in the funding agreement are harming the Fund's financial sustainability. For that reason, the Foundation is seeking more flexibility in its spending with a view to mitigating the effect of a historically low-interest-rate environment while preserving the capital of the perpetual Fund and adapting to a changing environment in Canada. More specifically, the Foundation has engaged the Department of Innovation, Science and Economic Development in a discussion to ensure that the Fund's mandate is consistent with the Foundation's ability to support scholarship, engagement, and leadership development for Canada's future.

Maximizing revenue implies augmenting investment returns and increasing donations. As regards investment returns, the Foundation is currently negotiating a long-overdue change to its investment policy statement that it hopes will be implemented in the second quarter of 2017. The Foundation received approval from the Department of Finance on a new statement of investment policies and procedures consistent with the 2009 *Minister of Finance Investment Management Framework for Up-Front Funding*. This is becoming extremely important for the Foundation's ability to fulfill its mandate in the current investment environment.

As for increasing donations, given the highly competitive environment in the Canadian landscape, we expect that fundraising will remain challenging in the near future. While it is evident that new partnerships for funding targeted-area-of-inquiry projects hold promise, we expect that significant contributions to the endowment will take time to materialize and indeed may take place primarily through bequests. The Foundation's fundraising program is thus expected to continue to build a robust donor pipeline throughout 2017-2018, with more opportunities to engage and cultivate prospective donors as time goes on.

Expected outcomes

a) Scholarship Program

- The Foundation intends to select up to 15 new scholars in 2018.
- The Foundation will continue to encourage scholars to fully engage in the Public Interaction Program, notably by encouraging them to organize scholars' workshops, to help develop the annual conference and the summer institute, and to contribute to the targeted areas of inquiry.

b) Mentorship Program

- The Foundation will name up to 10 mentors in 2017-2018 and will match them to its 2016 cohort of scholars.
- The Foundation will continue to encourage mentors to fully engage in the Public Interaction Program, notably by helping to develop the annual conference and the summer institute and by contributing to the targeted areas of inquiry.

c) Fellowship Program

- The Foundation intends to appoint up to five new fellows in 2018.
- The Foundation will continue to encourage fellows to fully engage in the Public Interaction Program, notably by helping to plan public interaction events and by contributing to the targeted areas of inquiry.

d) Public Interaction Program

- The Foundation will hold its 2017 annual conference in Montréal on how the great winds of change in the world are affecting democracy in the West, a theme that draws on our three targeted areas of inquiry.
- The Foundation will hold its 2018 summer institute in Newfoundland and Labrador, where it plans to expose its community to local and regional concerns not always understood by Canadians from elsewhere.
- In 2017-2018, the Foundation intends to replicate the experiential and transformative aspects of its events that it has developed with success over past years. The Foundation also plans to continue exploring ways for its conferences, institutes, and meetings to expose its community meaningfully to important issues in Canada and abroad.
- The Foundation will continue to use its events to develop leadership in scholars; to foster links between scholars, fellows, and mentors; and to catalyze learning among and between members of its community.
- The Foundation will continue to seek to deepen its awardees' engagement with civil society, governments, and the private sector.

5. BUDGET IMPLICATIONS

This year's budgeting exercise took place from January to April 2017. Management and the program leads assembled a latest estimate for the current year (2016-2017) and developed a budget for the year 2017-2018, which begins on 1 September 2017. Both budgets apply three principles of the bridging plan, which is detailed in section 7. The budgets were examined and discussed in detail by the Finance and Investment Committee in March 2017. The 2017-2018 budget was approved by the Board of Directors at its meeting of 21 April 2017 on the assumption that the portfolio would transition to the new investment policy approved by the Department of Finance by the third quarter of fiscal year 2018.

It is also worth noting that in January 2017, the Foundation received a draft report of the compliance audit conducted the year before by the Department of Innovation, Science and Economic Development. The Foundation learned that, in some areas, its interpretation of the letter and spirit of the funding agreement differed from that of the Department's auditors. The Foundation has begun engaging with the Department on issues around the implementation of the findings of the draft audit report and their implications. In the meantime, the Foundation intends to honour its contractual agreements with program recipients.

The following paragraphs capture the highlights of the coming year's budget.

Program costs

a) Overall budget framework for the Foundation's programs

For budgetary purposes, the core programs of the Foundation comprise the following provisions:

Scholarships are valid for three years. A fourth-year extension is possible to allow scholars to complete their doctorate or undertake a dissemination project.

The current stipend per scholar is \$40,000 per year, to cover the cost of tuition and reasonable living expenses. An additional \$20,000 per year is available to support the scholar's approved research-related travel and to cover networking expenses associated with events and joint projects undertaken within the framework of the Foundation's programs. For the 2015 and 2016 cohorts, the Foundation created a reserve with unused scholars' research, travel, and networking allowances. This reserve was intended to enable scholars who wished to continue actively participating in the Public Interaction Program to do so beyond the formal term of their scholarship funding. Further to the Department's auditors' recommendation that the Foundation not allow program recipients to defer unused research, travel, and networking allowances, however, this practice has been discontinued and was not offered to the 2017 scholar cohort. However, the Foundation is of the opinion that the Fund can and should be used to support scholars', fellows', and mentors' involvement in the Foundation network beyond their formal term with the Foundation. For that reason, the Foundation has initiated discussions with the Department on a way forward.

In cases where a fourth-year extension is granted to a scholar, the fourth year is funded with the savings generated by external awards held by the scholars of a given cohort. In 2017, 14 scholars of the 2014 cohort applied for fourth-year funding and will be offered a stipend of \$40,000 and

up to \$15,000 for the year's travel, research, and networking allowance. The fourth-year funding principle was renewed by the Board in April 2016 for four more years (until the 2017 cohort) and is subject to award accumulation restrictions and the availability of funds within a given cohort.

For accounting purposes, the stipend figures in the Scholarship Program budget. The annual research, travel, and networking allowance comes out of the Public Interaction Program budget.

Mentorships are active for two or three years. The transition from two to three years started with the 2017 cohort. All of the 2016 mentors will serve for a two-year term. Three 2017 mentors will serve for a two-year terms, and eight 2017 mentors will serve for a three-year term. All of the 2018 mentors will serve for a three-year term. Each mentor is paid an honorarium of \$20,000 for the duration of their term, regardless of whether their mandate is two or three years. An additional \$15,000 per term is available to cover approved travel and networking expenses associated with events and joint projects undertaken within the framework of the Foundation's programs.

To increase mentors' participation in the Public Interaction Program beyond their formal term, the Foundation imposes no expiry date on mentors' travel and networking allowance. The legitimacy of this policy was questioned in the draft audit report conducted by Industry Canada, but the Foundation is of the opinion that the Fund can and should be used to support scholars', fellows', and mentors' involvement in the network beyond their formal term with the Foundation. The Foundation has initiated discussions with the Department to agree on a way forward.

For accounting purposes, mentors' honoraria figure in the Mentorship Program budget. Mentors' annual travel and networking allowances are part of the Public Interaction Program budget.

Fellowships are valued at \$225,000 each and can be drawn on for four years. As has been the case since the appointment of the 2010 fellows, each new fellow receives a \$50,000 prize. Of the remaining funds, \$150,000 (\$170,000 in 2013) is transferred to the fellow's host university and is available throughout the fellow's three-year mandate with the possibility of transferring unspent funds to a fourth year. This arrangement facilitates accountability for an expansive range of eligible activities – including research, creative activities, knowledge dissemination, and professional development – while ensuring a fulsome and effective use of the fellowship funds. The Foundation retains the remaining \$25,000 (\$5,000 in 2013) of the fellowship to cover the cost of the fellow's travel to and participation in Foundation events.

The question of the availability of these funds beyond the formal fellowship term was raised in the draft audit report conducted by Industry Canada. Here again, the Foundation is of the opinion that the Fund can and should be used to support scholars', fellows', and mentors' involvement in the network beyond their formal term with the Foundation. The Foundation has initiated discussions with the Department to agree on a way forward.

For accounting purposes, commencing with the 2013 budget, the full award – \$200,000 per fellow (\$220,000 in 2013) – figures in the Fellowship Program budget. The remaining \$25,000 (\$5,000 in 2013) is recorded in the Public Interaction Program budget.

Public Interaction Program. In light of the Foundation's mandate to build an innovative network of study and exchange, the annual travel, research, and networking allowance

component of each of the funding programs constitutes the bulk of the Public Interaction Program budget. The balance of this budget consists mainly of expenses for one-time and recurring events, funding for targeted-areas-of-inquiry projects, the cost of maintaining and updating the Foundation’s website, and communication expenses for public engagement activities.

b) Budgeted program costs for 2017-2018¹

▪ Scholarship Program

The Foundation’s second-largest program expense consists of base awards to the scholars. The 2017-2018 budget anticipates up to 15 new scholars, each entitled to a scholarship of \$120,000 paid over three to four years (scholars’ annual research, travel, and networking allowances are covered by the Public Interaction Program). Fourth-year extensions for earlier cohorts will be covered by existing reserves created by external awards accumulated by existing scholars.² The total budget allocated to the Scholarship Program will be \$1,498,550 in 2017-2018 (latest estimate 2016-2017: \$1,360,883; audited 2015-2016: \$1,748,617).

▪ Mentorship Program

The Mentorship Program budget reflects the costs of nine new mentors starting in January 2018. Three groups of mentors will be active in fiscal 2017-2018.³ The total budget allocated to the Mentorship Program will be \$196,700 in 2017-2018 (latest estimate 2016-2017: \$236,800; audited 2015-2016: \$227,439).

▪ Fellowship Program

The Fellowship Program’s budget represents the third largest envelope of program costs, after the Scholarship Program and the Public Interaction Program. This Fellowship Program budget reflects the selection costs and the full award value committed to the three fellows to be

¹ The numbers in this section are based on the budget approved by the Board on April 21, which reflects the best estimates and figures available at that time. As indicated in this section, this budget assumes that revenues earned in 2018 will not be sufficient to appoint full cohorts of 15 scholars, 5 fellows, and 10 mentors in 2018. Furthermore, because the Foundation does not know when it will be authorized to implement its new investment policy, it cannot foresee the moment at which the Foundation’s revenues will begin to increase. For that reason, and because the Foundation is committed to working within available envelopes to cover its program costs in 2017-2018, the Board asked that a new version of the budget – with updated expenses based on expected revenue – be tabled in November 2017. Consequently, the number of available scholarships, mentorships, and fellowships awarded in 2018 may vary from the numbers indicated here.

² The scholarships are expensed in a lump sum each year in order to comply with accounting standards. Thus, five cohorts will receive funding at some time during fiscal 2017-2018. In addition to the 15 scholars from 2018, who will receive funding after their appointment in the spring of 2018, eligible scholars from the 2015 cohort will receive the last of their fourth-year funding at the beginning of fiscal 2017-2018, at the same time that the 2016 scholars receive their third-year instalments, the 2017 scholars receive their second-year instalments, and the 2018 scholars receive their first-year instalments.

³ The 11 mentors who started in January 2017 will be funded from 2017 to 2019, and the 2018 mentors will be funded from 2018 to 2020.

appointed in 2017-2018.⁴ The total budget allocated to the Fellowship Program will be \$648,000 in 2017-2018 (latest estimate 2016-2017: \$1,053,983; audited 2015-2016: \$1,011,684).

- Public Interaction Program

The Public Interaction Program budget supports fellows', mentors', and scholar's use of their annual research, travel, and networking allowances. For the 2015 and 2016 cohorts, and in order to comply with accounting standards, scholars', fellows', and mentors' research, travel, and networking allowances have been expensed in a lump sum in the year of each person's appointment to reflect the perennial term of their annual allowances. This practice increased Public Interaction Program costs in fiscal years 2015 and 2016. The budget decreased in latest estimate 2016-2017 and budget 2018 to reflect the recommendation by Industry Canada's auditors to cease creating reserves with unused annual research, travel, and networking allowances. As a result, starting with cohort 2017, these allowances are recorded in the year in which the expenses are incurred using the same accounting policies as before unused allowances were deferred. In 2017-2018, the annual research, travel, and networking allowance amounts to \$880,000 (latest estimate 2016-2017: \$926,000; audited 2015-2016: \$1.657 million).

Beginning with fiscal year 2015, the number of Public Interaction Program activities increased to reflect the Foundation's new vision for increased engagement and impact, including a new focus on three areas of inquiry. The Foundation has committed an envelope of \$618,550 to new projects, various public interaction events, research and engagement in its three areas of inquiry, and leadership development activities in 2017-2018.

The Public Interaction Program now represents the Foundation's largest budgetary envelope. The total budget allocated to the Public Interaction Program will be \$1.50 million in 2017-2018 (latest estimate 2016-2017: \$1.36 million; audited 2015-2016: \$2.22 million).

Operating costs

The Foundation's current funding agreement with the Government of Canada limits operating expenses net of fundraising costs to no more than 1.5% of the total value of the Foundation's endowment fund. Operating costs include investment counsel fees, administrative expenses, costs associated with planning and delivering programs, and all costs arising from the Foundation's obligations under federal legislation, including the *Access to Information Act* and the *Privacy Act*.

The Foundation is facing two new pressures on its operating costs and the 1.5% limit, principally due to investment counsel fees and professional fees associated with the administration of its obligations under the *Access to Information Act* and the *Privacy Act*.

First, a more diversified investment portfolio that will allow the Foundation to significantly increase its investment revenue (see section 6) will be more complex to manage and will incur

⁴ The fellowships are expensed in a lump sum each year in order to comply with accounting standards. Thus, three groups of fellows will receive funding during fiscal 2017-2018, each group being at a different stage of its award (the 2015 fellows receive funding from 2016 to 2018, the 2016 fellows from 2017 to 2019, and the 2017 fellows from 2018 to 2020). The 2018 fellows will receive funding from fiscal 2018-2019 through fiscal 2020-2021). All fellows have a fourth year in which to spend the monies received over the first three years.

higher investment fees than the Foundation's current portfolio. In addition, investment-related fees (investment custodian, management, and counsel fees) are a factor of the market value of the portfolio: as this value rises, so do the fees. To reflect the transition of the Foundation's portfolio to a new investment policy, the amount budgeted for investment counsel fees in 2017-2018 is \$440,110 (latest estimate 2016-2017: \$280,000; audited 2015-2016: \$296,066).

Second, the Foundation has been subject to the *Access to Information Act* and the *Privacy Act* (ATIP) since April 2007. As per the instructions of Industry Canada, the costs associated with ATIP are included in the 2017-2018 operating costs and contribute to the 1.5 % limit mentioned above. The costs of administering ATIP vary considerably from year to year, depending on the volume of ATIP requests received by the Foundation. In 2016-2017, we experienced an unprecedented spike in the number and complexity of requests (six times the 2016 number and a tenfold increase over 2013). This has presented a significant administrative challenge for the Foundation and has increased costs, which now account for no less than 3% of our operating cost envelope. In the current environment of higher public scrutiny, and additional requirements subsequent to the proposed modernization of the Act, we expect costs to continue to grow.

It is worth mentioning that administrative costs as part of the Foundation's operating costs continue to be low, with a budget of \$383,363 for 2017-2018 (latest estimate 2016-2017: \$335,252; audited 2015-2016: \$390,545).

6. INVESTMENT PERFORMANCE

Over the past few years, historically low interest rates have significantly diminished the Foundation's revenues from its fixed-income investments. Despite tight control of operating expenses, strict adherence to the best practices in investment strategy, and more donations, the Foundation's revenues were insufficient to cover its expenses over the last 12-month period.

In that context, the book value of the Advanced Research on the Humanities and Human Sciences Fund (Endowment Fund) remained stable at \$146.4 million on 31 May 2017 (\$147.7 million on 31 May 2016). Also on 31 May 2017, the total market value of all the Foundation's investments – that is, the Endowment Fund and the Private Donation Fund portfolios managed by BMO Asset Management – came to \$150.8 million versus \$151.9 million on the same date in 2016. The Endowment Fund portfolio held \$148,018,240, while the Private Donations Fund portfolio held \$2,763,132.

The total rate of return on the two portfolios – invested separately but according to similar investment policy guidelines – for the 12-month period ended 31 May 2017 was 1.24% (Endowment Fund: 1.25%, Private Donations Fund: 0.94%), down from 2.95% in May 2016. As shown in *Table 1*, the rate of return since the inception of the Endowment Fund in 2002 has been 4.68% (Private Donations Fund: 4.10%), which aligns with the blended benchmark⁵ index of 4.77%.

⁵ The benchmark is a 50/50 blend of the FTSE TMX Canada Short-Term Bond Government Index and the FTSE TMX Canada Mid-Term Bond Government Index.

During the 12-month period ended 31 May 2017, \$4.4 million was transferred from the Endowment Fund investment portfolio to the Foundation's bank account to cover the Foundation's program and operating expenses. During the same period, net incoming donations of \$1,046,149 were deposited to the private donations portfolio.

The Foundation monitors the work and transactions of its portfolio manager, BMO Asset Management, and the custodian, BMO Trust, monthly and quarterly. The most recent annual face-to-face meeting between the portfolio manager and the Finance and Investment Committee took place on 1 March 2017. At that meeting, the Committee confirmed the Endowment Fund's compliance with Schedule III of the funding agreement's investment policy guidelines. The Committee also reviewed the portfolio's performance, discussed the market outlook and the portfolio performance forecast for the year ending 31 August 2017, and went over assumptions for 2017-2018.

In parallel, the Foundation has worked on a new Statement of Investment Policies and Procedures, which was approved by the Department of Finance on 28 March 2017 consistent with the 2009 *Minister of Finance Investment Management Framework for Up-Front Funding*. With the help of its investment consultants and actuaries at Eckler Ltd., and further to a rigorous search process, the Foundation had retained delegated investment services from Willis Towers Watson Canada and Integra Capital to implement and manage the new investment policy as of 1 August 2017. Upon the advice of Willis Towers Watson, and with a view to reducing fees, the Foundation will also change its custodian from BMO Private Banking to CIBC Mellon, which is based in London, Ontario.

The Foundation has been growing its Private Donations Fund since 2002. From \$278,790 in 2007, this fund reached a market value of \$2,763,132 on 31 May 2017. Based on current donation pledges, the value of this fund is expected to grow to \$3.2 million by 31 August 2017. The Private Donations Fund portfolio is managed by BMO Asset Management and has always been segregated from the Endowment Fund investment portfolio.

Over the last decade, the Foundation has repeatedly brought the adverse effects of its investment restrictions to the attention of the Government of Canada. These investment restrictions constitute a significant risk to the Fund's sustainability and to the Foundation's ability to continue to deliver the programs necessary to reach the objectives for which the perpetual Fund was established. In March 2017, the Department of Finance approved a new investment policy for the Foundation, compliant with the 2009 *Minister of Finance Investment Management Framework for Up-Front Funding*. Since then, the Foundation has been seeking the Department of Innovation, Science and Economic Development's support in reflecting these changes in an amendment to the funding agreement. Such an amendment will allow the Foundation to implement the Department of Finance-approved investment policy, which would produce modestly higher returns. Given current market conditions, higher returns are necessary for the Foundation to maintain its program delivery. This work is urgent and essential to the sustainability of the Foundation. It is described more fully in section 7.

Table 1
Average annual compounded rate of return on investments (gross of fees)
Market value, 31 May 2017

	Endowment Fund¹ Rate of return	Private Donations Fund Rate of return	Combined Rate of return
Rate of return, inception to 31 May 2017²	4.68%	4.10%	4.67%
vs Benchmark ³	vs 4.77%	vs 4.77%	vs 4.77%
One-year Rate of return to 31 May 2017	1.25%	0.94%	1.24%
vs Benchmark ³	vs 1.65%	vs 1.65%	vs 1.65%
Three-year Rate of return to 31 May 2017	3.03%	2.70%	3.02%
vs Benchmark ³	vs 3.14%	vs 3.14%	vs 3.47%
Five-year Rate of return to 31 May 2017	2.57%	2.59%	2.57%
vs Benchmark ³	vs 2.73%	vs 2.73%	vs 3.87%
Projected yields as of August 31, 2018			
Current yield ⁴	2.40%	2.40%	2.40%
Maturity yield ⁵	1.50%	1.50%	1.50%
Performance yield ⁶	0.90%	0.90%	0.90%
Total funds invested, inception to 31 May 2017	\$ 125 806 095	\$ 2 601 689	\$ 128 407 784
Book value - 31 May 2017	\$ 143 710 809	\$ 2 722 122	\$ 146 432 931
Book value - 31 May 2016	\$ 145 984 598	\$ 1 697 433	\$ 147 682 031
Investment counsel fees, inception to 31 May 2017⁷			
Transferred to bank account, inception to 31 May 2017	\$ 4 753 714	\$ 5 037	\$ 4 758 752
Total cash withdrawn, inception to 31 May 2017	\$ 68 323 558	\$ -	\$ 68 323 558
\$ 73 077 272	\$ 5 037	\$ 73 082 310	
Market value - 31 May 2017	\$ 148 018 240	\$ 2 763 132	\$ 150 781 372
Market value - 31 May 2016	\$ 150 217 407	\$ 1 712 676	\$ 151 930 083

Note 1: Prior to mid-2014, the Endowment Fund was split between two portfolios. The RBC Phillips, Hager and North investment portfolio was transferred to BMO Asset Management on 15 July 2014.

Note 2: Dates of inception are 31 May 2002 for the Endowment Fund and 22 October 2004 for the Private Donations Fund.

Note 3: The benchmark is a 50/50 blend of the FTSE TMX Canada Short-Term Bond Government Index and the FTSE TMX Canada Mid-Term Bond Government Index.

Note 4: The current yield is the result of the coupon interest divided by the market value. The current yield is used to calculate projected revenue income.

Note 5: The maturity yield reflects the combined effect of coupon interest and the write-down of our bonds toward par values during the year. Bonds maturing during the year are expected to be reinvested at the maturity yield.

Note 6: The performance yield represents the anticipated growth in the portfolio's market value.

Note 7: Investment counsel fees do not include other fees within investment securities, such as exchange-traded funds.

7. FINANCIAL ISSUES

In March 2016, the Board of Directors extended to 2018 the bridging plan it adopted in 2013. The Board also reiterated its support for a three-pronged approach – targeting both revenues and expenses – to ensure the Foundation's sustainability. The three prongs or principles are as follows:

1. **Expenditures.** Maintenance of expenditures of about \$6.5 million per year without major cuts to programs until the end of 2018, subject to internal and external reviews of the value of the programs, with annual evaluations based on the transition plan.
2. **Fundraising.** In collaboration with the Fundraising Committee, development of a fundraising plan supplied with the resources required to execute three campaigns:
 - a) A capital endowment campaign with an objective of raising at least \$30 million in four years.
 - b) An annual campaign with an initial objective of \$500,000 per year for four years, increasing to \$1 million after six years.
 - c) A planned-giving campaign with the objective of enlisting as many contributors as are people who are close to the Foundation and people who believe enough in the Foundation's mission to name the Foundation in their will.
3. **Investment mandate.** Engage the Government of Canada on the feasibility of altering the funding agreement for the Advanced Research in the Humanities and Human Sciences Fund, in order to give the Foundation an investment mandate that is less restrictive than the fixed-term investment mandate currently specified.

Application in 2017-2018

As regards the first principle (expenditures), it is worth noting that as part of the Finance and Investment Committee's work over the last year and as discussed with the Board of Directors, it was deemed necessary to develop a spending policy that would reflect the revenues earned under the new investment policy and would help mitigate investment risk. As a consequence, and in an effort to balance program delivery with protection of the fund capital, future annual expenditures will be projected on a three-year rolling basis based on expected revenue and may not remain at the \$6.5 million level. Moreover, as shown in Appendix 1, a \$6.5 million budget no longer suffices to protect the integrity of the programs in terms of the number of program recipients appointed each year (15 new scholars, 5 new fellows, and 10 new mentors annually).

As for the second principle (fundraising), as per the Foundation's registered charity status and as expected in its funding agreement with the Government of Canada, the Foundation remains committed to raising private donations to support its activities. This said, the Foundation is adjusting its fundraising targets and strategy in light of a highly competitive fundraising environment and with a view to adapting to a changing context. In the meantime, it will focus its efforts and energy on communicating the impact of its programs, as described in section 4.

Finally, as regards the third principle (investment mandate), and as mentioned in section 6, progress has been achieved over the last year and the Foundation hopes to soon receive authorization to implement the new investment policy approved by the Department of Finance in March 2017. In the meantime, the uncertainty as to when the Foundation may implement its new investment policy constitutes a budgeting challenge. Lost revenue caused by the delay in implementing the new investment policy is estimated at around \$50,000 per week.

Appendix A

Financial information

Statement of Financial Position

as at 31 August

	2018 budget	2017 latest estimate	2016 audited	2015 audited	2014 audited
Assets					
Current Assets					
Cash and cash equivalents			1 078 781	585 694	593 685
Short-term investments			6 196 836	299 755	1 775 680
Investments at fair value (note 2)			146 342 048	153 448 708	148 447 250
Interest receivable			880 887	939 920	1 226 721
Prepays and other receivable			190 527	595 712	215 953
	154 689 079	155 869 789	152 259 289		
Property and equipment and Intangible assets, cost			1 246 056	1 235 940	1 228 789
Property and equipment and Intangible assets, accumulated amortization			530 264	422 628	312 072
Property and equipment and Intangible assets, net	715 792	813 312	916 717		
Deferred website development costs, gross			-	-	-
Deferred website development costs, accrued amortization			-	-	-
Deferred website development costs, net	-	-	-		
	155 404 871	156 683 101	153 176 006		
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities (note 3)			2 793 477	1 900 616	700 868
Deferred donations			103 000	104 241	105 734
Current portion of fellowships payable			903 352	780 849	557 959
Current portion of scholarships payable (note 4)			1 417 787	1 348 751	1 336 985
Current portion of mentorships payable			97 660	82 965	90 000
	5 315 276	4 217 422	2 791 546		
Long-term liabilities					
Deferred donations			102 055		
Fellowships payable			497 366	425 292	209 768
Scholarships payable			2 287 767	2 009 915	2 208 862
Mentorships payable			103 684	42 871	-
	2 990 872	2 478 078	2 418 630		
Total Liabilities			8 306 148	6 695 500	5 210 176
Net Assets					
Net assets restricted for endowment purposes	125 000 000	125 000 000	125 000 000	125 000 000	125 000 000
Net assets invested in property and equipment and intangible assets	529 618	626 618	716 618	814 138	917 543
Internally restricted net assets (note 5)	11 454 733	12 272 252	18 833 203	22 500 000	20 625 000
Private donations fund (note 6)	3 284 928	2 790 349	2 548 902	1 631 659	1 009 646
Unrestricted contingency fund (note 7)	-	-	0	-	-
Unrestricted net assets	-	-		41 804	413 641
	140 269 279	140 689 219	147 098 723	149 987 601	147 965 830
	155 404 871	156 683 101	153 176 006		

Note 1:

Years 2017 and 2018 are subject to year-end adjustments.

Note 2:

Since 2008, assets are recorded at their fair value. Interest revenues are calculated using the effective interest method.

Note 3:

An increase in accounts payable and accrued liabilities resulted from the reserves created from unused research, travel and networking expenses for scholars (as of 2015 cohort) and fellows (as of 2014 cohort). This will allow scholars and fellows to continue to participate in the Public Interaction Program after their formal term with the Foundation is over.

Note 4:

As of 2008, scholarship savings generated by external awards are reserved to fund the respective cohort's fourth-year thesis writing or dissemination scholarship extension. In 2016, a management decision to increase, starting with cohort 2013, the fourth-year scholarship from a maximum of \$28,000 to \$40,000.

Note 5:

In 2002, the Foundation's Board of Directors placed internal restrictions on a portion of the excess of revenues over expenses in any given year. More precisely, the Board decided that an annual amount of \$1,875,000 would be restricted and capitalized to protect the endowment from inflationary impacts. In April 2013, the Board decided not to capitalize any amount when the results of a fiscal year were deficient.

Note 6:

Development and Outreach expenses are paid out of the private donations fund. The amounts recorded here are net of these costs.

Note 7:

In 2011, the Board approved the creation of a contingency fund to balance the operating budget when interest income is lower than expected. The 2013 budget used up the fund to reduce the excess of expenses over revenue.

Statement of Revenues & Expenses

for the year ended 31 August

	2018 ¹ budget	2017 ¹ latest estimate	2016 audited	2015 audited	2014 audited
Revenues					
Interest and dividends (notes 2 and 3)	5 597 400	3 865 076	3 618 691	4 188 165	4 618 716
Net gain on disposal of investments at fair value (note 2)	0	-9 270	-275 714	514 297	464 128
Net unrealized gain on investments at fair value (note 2)	0	-4 081 165	414 213	3 275 160	2 668 441
Donations and sponsorships(held in Private donations fund)	505 000	340 000	731 853	634 461	122 151
Total Revenues	6 102 400	114 641	4 489 043	8 612 083	7 873 436
Expenses					
Program Costs (note 4)					
Fellowship program (note 5)	648 000	1 053 983	1 011 684	988 758	577 044
Mentorship program	196 700	236 800	227 439	169 823	186 006
Scholarship program (note 6)	1 640 900	1 712 383	1 748 617	1 188 420	1 308 215
Public interaction program (note 7)	1 498 550	1 360 883	2 220 690	2 357 197	1 267 885
Development and Outreach (covered by Private donations fund) (note 10)	28 500	53 268	29 952	-	-
sub-total, Programs:	4 012 650	4 417 317	5 238 382	4 704 198	3 339 150
Operating Costs					
Investment counsel fees (note 8)	440 100	280 000	296 066	252 592	320 454
Program delivery costs (note 9)	1 607 106	1 438 829	1 358 697	1 203 105	1 193 727
Administrative costs (notes 9 and 10)	383 363	335 252	390 545	424 499	466 665
Accountability & transparency under ATIP (note 11)	7 200	10 000	-	-	-
Development and Outreach (covered by Private donations fund) (notes 9 and 10)	71 921	42 746	94 231	5 918	-
sub-total, Operating Costs:	2 509 690	2 106 827	2 139 539	1 886 114	1 980 846
Total expenses, GAAP basis:	6 522 340	6 524 144	7 377 921	6 590 312	5 319 996
Excess of Revenues over Expenses (excess of expenses over revenues):	-419 940	-6 409 503	-2 888 878	2 021 771	2 553 440
Operating Expenses restriction, as per Funding Agreement					
Total Operating Costs, as per pro-forma f/s	2 509 690	2 106 827	2 139 539	1 886 114	1 980 846
less: development and outreach costs covered by Private donations fund	71 921	42 746	94 231	5 918	2 500
Total Operating Costs paid from the Endowment fund	2 437 769	2 064 081	2 045 308	1 880 196	1 978 346
Endowment fund value	136 984 351	137 898 870	144 549 121	148 355 942	146 956 184
Operating Expenses as a % of the Endowment fund value	1.780%	1.497%	1.415%	1.267%	1.346%

- Note 1: Years 2017 and 2018 are subject to year-end adjustments. Budget 2018 is provisional, due to the uncertainty related to the implementation of the new investment policy. Operating costs in excess of the 1.50% would be absorbed by the private donation fund so that the Fund's limitation on operating costs be respected.
- Note 2: Since the adoption of fair value accounting principles in fiscal year 2008, investment income now includes unrealized gains and losses in lieu of bond premium amortization and the effective interest method of recording revenues. Net gain on disposal of investments at fair value and net unrealized gain on investments at fair value for fiscal year 2017 estimates are based on actual results on 31 December 2016 and assume no transactions or changes in credit and interest rates until 31 August 2017.
- Note 3: Starting with Budget 2018, the investment portfolios will generate dividends in addition to interest revenue based on the assumption that the Advanced Research in the Humanities and Human Sciences Fund will be invested as a diversified portfolio (see section 6).
- Note 4: Canadian accounting standards for not-for-profit organizations require that the full amount of an award be expensed in the year that the commitment is established. Latest estimate 2017 reflects 5 fellows (5 in 2016), 15 scholars (15 in 2016), and 11 mentors (10 in 2016), plus ancillary selection, nomination, and publicity costs. At the time of writing, Budget 2018 reflects 3 fellows, 15 scholars, and 9 mentors, plus ancillary selection, nomination, and publicity costs.
- Note 5: For cohorts 2014 to 2016, the full fellowship award of \$225,000 net of an allowance for research, travel, and networking of \$25,000 per fellow (\$5,000 in 2013) figures in the Fellowship Program envelope. The allowance portion of the fellowship is presented under Public Interaction Program. Following a 2014 Board decision, and starting with the 2014 cohort, a fellow could continue to use his or her allowance to participate in the Public Interaction Program after his or her formal term was over. The full amount of the allowance is therefore recorded in the year of the fellow's nomination. A reserve was then created for unused allowances and recorded under Accounts payables and accrued liabilities. As per the draft compliance audit recommendations in 2017, the Foundation, starting with the 2017 cohort, will no longer allow the deferral of unused travel, research and networking allowances to subsequent years.
- Note 6: The increase in Scholarship Program expenses between 2015 and 2016 resulted from a change in accounting estimates of the overall provision for the fourth-year reserve following Board's decision in 2016 to increase the fourth-year scholarship from a maximum of \$28,000 to \$40,000 starting with the 2013 cohort.
- Note 7: The increase in Public Interaction Program expenses reflects the Board's decision to allow each scholar, beginning with the 2015 cohort, to use his or her allowance for research, travel, and networking to participate in Foundation events beyond the formal end of his or her scholarship. As per the draft compliance audit recommendations in 2017, the Foundation will no longer allow the deferral of unused travel, research, and networking allowances to subsequent years, beginning with the 2017 cohorts of scholars, fellows, and mentors. In addition, program planning and delivery presents higher costs starting in 2015, reflecting the Board's wishes to increase the number of Public Interaction Program activities to better promote understanding of major issues that affect Canadian and global society.
- Note 8: Investment counsel fees are charged based on the market value of the portfolio. The decrease in costs between years 2014 and 2015 reflects the Board's decision to consolidate the two portfolios under one manager. The increase in the 2018 budget reflects the higher management counsel fees expected to result from a more diversified asset mix in the endowment fund's portfolio (see note 3).
- Note 9: The increase in program delivery costs over time results from a more accurate allocation of administration expenses between the categories of administration, program planning and delivery, and outreach and development. Salaries and benefits, rent and occupancy costs, office expenses, depreciation, bank charges, and recruitment costs are now allocated in proportion to the associated labour. Program delivery costs vary proportionally with program costs.
- Note 10: Beginning in 2016, the costs associated with outreach and development are presented separately (before 2016, they were included in administrative costs). These costs are paid from the private donations fund.
- Note 11: The Foundation has been subject to the *Access to Information Act* and the *Privacy Act* since 1 April 2007. The figures exclude labour and indirect costs.