

Financial Statements of

**FORUM OF FEDERATIONS/
FORUM DES FÉDÉRATIONS**

March 31, 2004

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Auditors' Report

To the Directors of
Forum of Federations/Forum des Fédérations

We have audited the financial position of the Forum of Federations/Forum des Fédérations as at March 31, 2004 and the statements of changes in net assets, the statement of revenues and expenses and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Organization'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 Organization as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at March 31, 2003 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated May 1, 2003.

Deloitte & Touche LLP

Chartered Accountants

April 23, 2004

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS
Financial Statements
March 31, 2004

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FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Statement of Revenue and Expenses

year ended March 31, 2004

	<u>2004</u>	<u>2003</u>
Revenue		
Department of Foreign Affairs and International Trade		
Contribution agreement	\$ -	\$ 1,580,400
Long-term Fund	3,975,715	1,584,603
Projects	35,874	196,784
Canadian International Development Agency (CIDA)	440,383	1,359,301
Gesellschaft fur Technische Zusammenarbeit (GTZ)	47,354	5,464
Alberta Provincial Government	15,000	9,725
Manitoba Provincial Government	8,100	6,900
Interest	2,658	1,563
Other	14,470	5,589
	<u>4,539,554</u>	<u>4,750,329</u>
Expenses		
Advertising and promotion	204	510
Consultants	124,120	159,982
Leased equipment	3,508	32,751
Meetings and facilities	155	1,672
Office and general	71,177	43,731
Printing and publications	3,601	3,161
Professional fees	31,059	130,909
Projects (Schedule)	3,202,977	3,603,870
Rent	178,504	152,043
Salaries and benefits	758,585	627,564
Telephone and internet	15,461	42,412
Travel	70,973	53,735
	<u>4,460,324</u>	<u>4,852,340</u>
Excess (deficiency) of revenue over expenses before the undernoted	79,230	(102,011)
Administration costs charged to CIDA projects	32,107	179,570
Amortization of deferred contributions for capital assets	36,888	44,714
Amortization of capital assets	(137,303)	(115,697)
EXCESS OF REVENUE OVER EXPENSES	\$ 10,922	\$ 6,576

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Statement of Financial Position

as at March 31, 2004

	<u>2004</u>	<u>2003</u>
CURRENT ASSETS		
Cash	\$ 531,727	\$ 684,557
Accounts receivable	197,183	656,873
Prepaid expenses	49,944	25,080
Investments (Note 3)	731,036	667,547
Investments - restricted (Note 3)	1,295,000	1,295,000
	2,804,890	3,329,057
CAPITAL ASSETS (Note 4)	299,779	377,357
INVESTMENTS - RESTRICTED (Note 3)	4,599,702	7,263,948
	\$ 7,704,371	\$ 10,970,362
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 373,797	\$ 594,651
Deferred contributions (Note 5)	857,816	1,212,741
Deferred contributions - Long-Term Fund	1,295,000	1,295,000
	2,526,613	3,102,392
DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS (Note 6)	130,517	167,405
DEFERRED CONTRIBUTIONS - LONG-TERM FUND (Note 7)	4,599,702	7,263,948
	7,256,832	10,533,745
CONTINGENT LIABILITY (Note 8)		
NET ASSETS		
Invested in capital assets	169,262	209,952
Unrestricted	278,277	226,665
	447,539	436,617
	\$ 7,704,371	\$ 10,970,362

APPROVED ON BEHALF OF THE BOARD

_____ Chair

_____ Treasurer

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Statement of Changes in Net Assets

year ended March 31, 2004

	Invested in Capital Assets	Unrestricted	<u>2004</u>	<u>2003</u>
BALANCE, BEGINNING OF YEAR	\$ 209,952	\$ 226,665	\$ 436,617	\$ 430,041
Excess (deficiency) of revenue over expenses	(100,415)	111,337	10,922	6,576
Investment in capital assets	59,725	(59,725)	-	-
BALANCE, END OF YEAR	\$ 169,262	\$ 278,277	\$ 447,539	\$ 436,617

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Statement of Cash Flows

year ended March 31, 2004

	<u>2004</u>	<u>2003</u>
CASH PROVIDED BY (USED FOR):		
OPERATING		
Excess of revenue over expenses	\$ 10,922	\$ 6,576
Items not affecting cash		
Amortization of contributions related to capital assets	(36,888)	(44,714)
Amortization of capital assets	137,303	115,697
	<u>111,337</u>	<u>77,559</u>
Change in non-cash operating working capital items		
Accounts receivable	459,690	(561,699)
Prepaid expenses	(24,864)	40,090
Accounts payable and accrued liabilities	(220,854)	409,784
	<u>325,309</u>	<u>(34,266)</u>
INVESTING AND FINANCING		
Proceeds on sale of investments	2,600,757	1,141,737
Acquisition of capital assets	(59,725)	(31,219)
Deferred contributions	(3,019,171)	(1,328,835)
	<u>(478,139)</u>	<u>(218,317)</u>
NET CASH OUTFLOW	(152,830)	(252,583)
CASH, BEGINNING OF YEAR	684,557	937,140
CASH, END OF YEAR	\$ 531,727	\$ 684,557

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Notes to the Financial Statements

year ended March 31, 2004

1. NATURE OF OPERATIONS

The Forum of Federations/Forum des Fédérations (Forum) was incorporated without share capital by Letters Patent under the provisions of the Canada Corporations Act on August 25, 1998. The Forum offers to policy-makers and practitioners of federalism an arena in which to exchange information and compare experiences in managing federal systems.

The Forum is a registered charity and as such is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Investments

Investments are recorded at cost plus accrued interest, which approximates fair market value. Long-term investments are carried at cost and are written down when there has been a loss in value that is other than temporary.

Capital assets

Capital assets are recorded at cost. Amortization is computed on the declining-balance basis at the following rates:

Furniture and fixtures	20%
Computer hardware	30%
Computer software	100%

Leasehold improvements are amortized on the straight-line basis over the term of the respective lease plus one renewal period.

Revenue recognition

The Forum follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Notes to the Financial Statements

year ended March 31, 2004

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred contributions for capital assets

Restricted contributions for the purchase of capital assets that are amortized, are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets. Restricted contributions for the purchase of capital assets that are not amortized (such as land) are recognized as direct increase in net assets.

3. INVESTMENTS

Investment risk

Investment in financial instruments renders the Forum subject to investment risks. These include the risks arising from changes in interest rates and risks arising from the failure of a party to a financial instrument to discharge an obligation when it is due. As at March 31, 2004, the average duration of the bonds in the portfolio, weighted on market values, was four years with an average yield to maturity of 3.04%.

The investment practices of the Forum are designed to avoid undue risk of loss and impairment of assets, and to provide a reasonable expectation of fair return given the nature of the investments.

Concentration of risk

Concentrations of risk exist when a significant proportion of the portfolio is invested in securities with similar characteristics and/or subject to similar economic, political or other conditions. The Forum believes that the concentrations described below do not represent excessive risk.

	<u>2004</u>		<u>2003</u>	
	<u>Market</u>	<u>%</u>	<u>Market</u>	<u>%</u>
Cash	\$ 2,603	0.1	\$ 6,530	0.1
Government of Canada Treasury Bills	39,860	0.6	551,910	5.9
Government of Canada Bonds	6,583,275	99.3	8,668,055	94.0
Total investments	6,625,738	<u>100.0</u>	9,226,495	<u>100.0</u>
Less current unrestricted portion	731,036		667,547	
Less current restricted portion	<u>1,295,000</u>		<u>1,295,000</u>	
Long-term restricted portion	<u>\$ 4,599,702</u>		<u>\$ 7,263,948</u>	

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Notes to the Financial Statements

year ended March 31, 2004

3. INVESTMENTS (Continued)

Presentation

Investments are classified as current based on management's intention to use these amounts over the upcoming year to finance current operations. The restricted investments represent those investments which have been restricted due to the terms of the Long-Term Fund (Note 7).

4. CAPITAL ASSETS

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and fixtures	\$ 345,325	\$ 163,420	\$ 181,905	\$ 190,625
Computer hardware	172,039	120,885	51,154	60,938
Computer software	44,831	34,309	10,522	4,750
Leasehold improvements	248,414	192,216	56,198	121,044
	\$ 810,609	\$ 510,830	\$ 299,779	\$ 377,357

5. DEFERRED CONTRIBUTIONS

	2004	2003
Balance, beginning of year	\$ 1,212,741	\$ 1,979,839
Less amounts recognized as revenue in the year	(1,241,896)	(3,453,766)
Contributions received during the year	1,350,030	2,156,341
Increase (decrease) in contributions receivable	(463,059)	530,327
Balance, end of year	\$ 857,816	\$ 1,212,741

6. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS

Deferred contributions for capital assets represent restricted contributions with which capital assets were acquired.

	2004	2003
Balance, beginning of year	\$ 167,405	\$ 212,119
Less amounts recognized as revenue in the year	(36,888)	(44,714)
Balance, end of year	\$ 130,517	\$ 167,405

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Notes to the Financial Statements

year ended March 31, 2004

7. LONG-TERM FUND

The Long-Term Fund was created in 2001 from a \$10,000,000 grant from the Department of Foreign Affairs and International Trade (DFAIT). The Long-Term Fund is comprised of the principal amount of the grant and accumulated investment income less investment management fees and transfers to the General Fund. The purpose of the Long-Term Fund is to assist the Forum to achieve a more secure source of revenue by providing additional support for its programs and activities. Draw-downs from the Long-Term Fund are based on an agreed upon schedule covering a ten-year period.

For the fiscal year ending March 31, 2004, DFAIT has not yet renewed the Forum's annual core funding Contribution Agreement. In order to ensure sufficient funding, DFAIT accepted a modification to the agreed upon withdrawal schedule to the Long-Term Fund, thereby allowing the Forum to withdraw an additional \$2,000,000 from the Fund for the fiscal year ending March 31, 2004.

Should the Forum's Contribution Agreement be renewed, DFAIT has committed to compensate the Forum for financial penalties incurred through the earlier than planned withdrawals from the Long-Term Fund.

Due to the uncertainty of the Contribution Agreement being renewed, a receivable has not been recorded.

	<u>2004</u>	<u>2003</u>
Balance, beginning of year	\$ 8,558,948	\$ 9,120,685
Investment income	653,009	760,058
Investment management fees	(22,255)	(26,795)
Fund withdrawals recognized as revenue in the year	<u>(3,295,000)</u>	<u>(1,295,000)</u>
Balance, end of year	5,894,702	8,558,948
Less current portion	<u>1,295,000</u>	<u>1,295,000</u>
Long-term portion	<u>\$ 4,599,702</u>	<u>\$ 7,263,948</u>

8. CONTINGENT LIABILITY

Pursuant to a contribution agreement with CIDA, there is a requirement for the Forum to contribute a certain percentage of the CIDA combined program annual budget in the last year of the Agreement. The interpretation of this requirement is currently under review by the funder and the Forum and has not been resolved. Accordingly, no provision has been recorded in these financial statements for this contingent liability.

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Notes to the Financial Statements

year ended March 31, 2004

9. COMMITMENTS

The Forum is committed under operating leases for an office facility and an apartment rental. These leases expire June 30, 2006 and May 31, 2004, respectively. The annual rental payments are approximately as follows:

2005	\$	168,612
2006		164,612
2007		41,153
		<hr/>
	\$	374,377
		<hr/>

10. PENSION CONTRIBUTIONS

The Forum contributes to a defined contribution pension plan for employees. The employer's contributions for the year were \$85,776 (2003 - \$77,014).

11. ECONOMIC DEPENDANCE

During the year, 88% (2003 - 75%) of the Forum's revenue was from DFAIT.

12. RELATED PARTY TRANSACTIONS

Related party transactions with directors during the year ended March 31, 2004 were as follows:

	Consulting Fees	Honorariums	Total
B. Rae	\$ 94,875	\$ -	\$ 94,875
N. Haysom	-	4,500	4,500
D. Cameron	2,588	2,303	4,891
	<hr/>		
	\$ 97,463	\$ 6,803	\$ 104,266
	<hr/>		

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS
Notes to the Financial Statements
year ended March 31, 2004

12. RELATED PARTY TRANSACTIONS (Continued)

The following balances are due as a result of the above services and are included in accounts payable and accrued liabilities:

	<u>2004</u>	<u>2003</u>
B. Rae	\$ 73,253	\$ 118,748
D. Cameron	2,675	15,856
N. Haysom	-	5,239
	<u>\$ 75,928</u>	<u>\$ 139,843</u>

13. COMPARATIVE FIGURES

Certain figures of the previous year have been reclassified in order to conform with the current year's presentation.

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS**Project Expenses**

year ended March 31, 2004

	<u>2004</u>	<u>2003</u>
Administration costs charged to CIDA projects	\$ 32,107	\$ 179,570
Consultants	672,369	475,938
Distribution costs of publications	118,530	126,038
Grants and honorariums	100,567	192,455
Meeting facilities and hospitality	18,287	38,841
Memberships and subscriptions	5,905	4,435
Office	34,677	34,445
Printing and publications	189,515	185,639
Promotions	11,765	9,586
Salaries and benefits	990,335	890,063
Support services	82,716	29,129
Telecommunications	54,913	32,343
Translation services	111,362	202,010
Travel	779,929	1,203,378
	\$ 3,202,977	\$ 3,603,870