

Financial Statements of

**FORUM OF FEDERATIONS/
FORUM DES FÉDÉRATIONS**

March 31, 2009



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Auditors' Report

To the Directors of
Forum of Federations/Forum des Fédérations

We have audited the statement of financial position of the Forum of Federations/Forum des Fédérations (the "Forum") as at March 31, 2009 and the statements of changes in net assets, revenues and expenses and cash flows for the year then ended. These financial statements are the responsibility of the Forum'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 Forum as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

June 9, 2009

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Financial Statements
March 31, 2009

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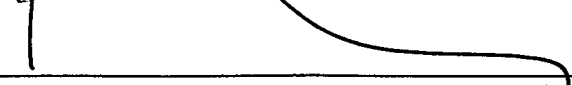
Statement of Financial Position

as at March 31, 2009

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash	\$ 1,239,570	\$ 1,686,001
Accounts receivable (Note 4)	343,729	448,113
Investments (Note 5)	616,778	309,577
Investments - restricted (Note 5)	3,400,000	3,400,000
Prepaid expenses	14,599	24,827
Program advances	24,384	4,374
	5,639,060	5,872,892
CAPITAL ASSETS (Note 6)	150,830	184,409
INVESTMENTS - RESTRICTED (Note 5)	4,774,363	8,426,619
	\$ 10,564,253	\$ 14,483,920
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 625,733	\$ 998,448
Deferred contributions (Note 7)	701,564	736,757
Deferred contributions - Long-Term Fund (Note 9)	3,400,000	3,400,000
	4,727,297	5,135,205
DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS (Note 8)	41,896	52,533
DEFERRED CONTRIBUTIONS - LONG-TERM FUND (Note 9)	4,774,363	8,444,681
	9,543,556	13,632,419
CONTINGENT LIABILITY (Note 10)		
NET ASSETS		
Invested in capital assets	108,934	131,876
Unrestricted	911,763	719,625
	1,020,697	851,501
	\$ 10,564,253	\$ 14,483,920

APPROVED ON BEHALF OF THE BOARD


_____ Chair


_____ Treasurer

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Statement of Changes in Net Assets

year ended March 31, 2009

	Invested in <u>Capital Assets</u>	<u>Unrestricted</u>	<u>2009</u>	<u>2008</u>
BALANCE, BEGINNING OF YEAR	\$ 131,876	\$ 719,625	\$ 851,501	\$ 1,030,279
Excess (deficiency) of revenue over expenses	(76,268)	245,464	169,196	(178,778)
Acquisition of capital assets	53,326	(53,326)	-	-
BALANCE, END OF YEAR	\$ 108,934	\$ 911,763	\$ 1,020,697	\$ 851,501

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Statement of Revenue and Expenses

year ended March 31, 2009

	<u>2009</u>	<u>2008</u>
Revenue		
Department of Foreign Affairs and International Trade		
Long-Term Fund	\$ 3,932,049	\$ 4,048,605
Projects	408,659	315,216
Canadian contribution	63,010	51,395
Other foreign country contributions	334,399	301,993
Canadian International Development Agency (CIDA)	383,280	1,317,197
Indian and Northern Affairs Canada (INAC)	-	38,009
Government of Norway Project	2,547	251,001
Government of Switzerland Project	440,293	131,156
German Technical Cooperation	193,085	-
Government of the United Kingdom Project	-	111,049
Government of India Project	-	15,078
Other projects	61,123	62,025
Interest	9,160	23,457
Other income	25,246	28,753
Foreign exchange gain (loss)	79,920	(15,122)
	5,932,771	6,679,812
Expenses		
Advertising and promotion	1,328	410
Consultants	133,074	148,819
Grants and Honorariums	40,000	40,000
Leased equipment	5,432	5,124
Meetings and facilities	-	2,338
Office and general	56,181	91,567
Printing and publications	1,587	684
Professional fees	41,018	46,901
Projects (Schedule)	4,595,089	5,749,281
Rent	185,785	185,783
Salaries and benefits	535,229	404,828
Telephone and internet	20,474	25,270
Travel	72,110	88,358
	5,687,307	6,789,363
Excess (deficiency) of revenue over expenses before the undernoted	245,464	(109,551)
Amortization of deferred contributions for capital assets	10,637	13,368
Amortization of capital assets	(86,905)	(82,595)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 169,196	\$ (178,778)

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Statement of Cash Flows

year ended March 31, 2009

	<u>2009</u>	<u>2008</u>
CASH PROVIDED BY (USED FOR):		
OPERATING		
Excess (deficiency) of revenue over expenses	\$ 169,196	\$ (178,778)
Items not affecting cash		
Amortization of contributions related to capital assets	(10,637)	(13,368)
Amortization of capital assets	86,905	82,595
	<u>245,464</u>	<u>(109,551)</u>
Change in non-cash operating working capital items		
Accounts receivable	104,384	(115,077)
Prepaid expenses	10,228	13,039
Program advances	(20,010)	68,998
Accounts payable and accrued liabilities	(372,715)	318,502
	<u>(32,649)</u>	<u>175,911</u>
INVESTING AND FINANCING		
Investment withdrawals	3,345,055	4,013,126
Acquisition of capital assets	(53,326)	(62,600)
Deferred contributions	(3,705,511)	(3,698,075)
	<u>(413,782)</u>	<u>252,451</u>
NET CASH INFLOW (OUTFLOW)	(446,431)	428,362
CASH, BEGINNING OF YEAR	1,686,001	1,257,639
CASH, END OF YEAR	<u>\$ 1,239,570</u>	<u>\$ 1,686,001</u>

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Notes to the Financial Statements

year ended March 31, 2009

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.

The Forum is currently economically dependent on the Department of Foreign Affairs and International Trade (DFAIT) for its future revenue. The current funding agreement with DFAIT expires on March 31, 2011 (Note 9). If the funding agreement with DFAIT is not renewed, the Forum would no longer be viable in its current form.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Change in accounting policy

On January 1, 2008, the Forum adopted a new disclosure standard that was issued by the Canadian Institute of Chartered Accountants (CICA): Handbook Section 1535, *Capital Disclosures*. Section 1535 specifies the disclosure of (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The Forum did not adopt CICA Sections 3862 and 3863 *Financial Instruments - Disclosures and Presentation* this year as the adoption of these sections became optional in late 2008 for not-for-profit organizations.

Financial instruments

All financial assets are required to be classified as held-for-trading, held-to-maturity, loans and receivables, or as available-for-sale. All financial liabilities are required to be classified as held-for-trading, or as other liabilities.

The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Forum's designation of said instruments and is determined at the time of initial recognition. Settlement date accounting is used and transaction costs related to investments are expensed as incurred. Interest is calculated using the effective interest rate method.

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Notes to the Financial Statements

year ended March 31, 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Classifications made by the Forum:

Cash and cash equivalents	Held-for-trading
Investments	Held-to-maturity
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

Held-for-trading

These financial assets are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment revenue.

Held-to-maturity

Held-to-maturity investments are carried at amortized cost using the effective interest rate method, less any impairment.

Loans and receivables

These financial assets are measured at amortized cost using the effective interest rate method, less any impairment.

Other liabilities

These financial liabilities are recorded at amortized cost using the effective interest rate method.

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%
Vehicles	30%

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

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Notes to the Financial Statements

year ended March 31, 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

The Forum follows the deferral method of accounting for contributions.

Long-Term Fund revenues are funds received under the terms and conditions of an agreement. These funds are recognized as revenue when used for the purpose for which the funds were received.

Unrestricted contributions and grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Funds received designated for an activity or project by the funder are recognized as revenue when used for the purpose for which the funds were received.

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 a direct increase in net assets.

Program advances

Advances made to fund program expenses, which have not yet been incurred, are reported as an asset.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Significant areas requiring the use of management's estimates include the collectible amounts of receivables, the amount of program advances, the amount of accrued liabilities, the assessment of contingent liabilities and the useful lives of capital assets.

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Notes to the Financial Statements

year ended March 31, 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future accounting changes

In September 2008, the CICA issued amendments to several of the existing sections in the 4400 series - *Financial Statements by Not-For-Profit Organizations*. Changes apply to annual financial statements relating to fiscal years beginning on or after January 1, 2009. Accordingly, the Forum will have to adopt the amended standards for its fiscal year beginning April 1, 2009. The amendments include: a) additional guidance in the applicability of Section 1100, *Generally Accepted Accounting Principles*; b) removal of the requirement to report separately net assets invested in capital assets; c) requirement to disclose revenues and expenses in accordance with EIC 123, *Reporting Revenue Gross as a Principal Versus Net as an Agent*; d) requirement to include a statement of cash flows in accordance with Section 1540, *Cash Flow Statements*; e) requirement to apply Section 1751, *Interim Financial Statements*, when preparing interim financial statements in accordance with GAAP; f) requirement for not-for-profit organizations that recognize capital assets to depreciate and assess these capital assets for impairment in the same manner as other entities reporting on a GAAP basis; g) requirement to disclose related party transactions in accordance with Section 3840, *Related Party Transactions*; and h) new disclosure requirements regarding the allocation of fundraising and general support costs.

The Forum is currently evaluating the impact of the adoption of these new Standards on its financial statements. The Forum does not expect that the adoption of these new Sections will have a material impact on its financial statements.

3. CAPITAL DISCLOSURES

The Forum defines its capital as its deferred contributions and its net assets. The Forum's main objective with respect to capital management is to maintain a sufficient level of capital, thereby ensuring the continuity of the Forum and the ongoing fulfillment of its mission. The Forum has restrictions against its deferred contributions from DFAIT, as described in Note 9. The Forum is not aware of any noncompliance with the restrictions against this agreement.

4. ACCOUNTS RECEIVABLE

	<u>2009</u>	<u>2008</u>
Restricted contributions receivable	\$ 168,534	\$ 199,068
Country contributions receivable	-	51,395
Canada Revenue Agency (GST)	62,382	78,839
Other	112,813	118,811
	<u>\$ 343,729</u>	<u>\$ 448,113</u>

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Notes to the Financial Statements

year ended March 31, 2009

5. 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.

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. The Forum does not use derivatives to reduce its exposure to interest and foreign currency risk.

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.

	2009			2008		
	Amortized Cost	Fair Value	% of Cost	Amortized Cost	Fair Value	% of Cost
Fixed income						
Canadian						
bonds	\$ 8,413,168	\$ 8,403,606	95.7	\$ 11,555,247	\$ 11,498,276	95.2
Term deposit	377,700	377,700	4.3	-	-	0.0
Cash	273	273	0.0	25	25	0.0
Foreign						
bonds	-	-	0.0	580,924	568,943	4.8
Total						
investments	8,791,141	\$ 8,781,579	100.0	12,136,196	\$ 12,067,244	100.0
Less current unrestricted portion	616,778			309,577		
Less current restricted portion	<u>3,400,000</u>			<u>3,400,000</u>		
Long-term restricted portion	<u>\$ 4,774,363</u>			<u>\$ 8,426,619</u>		

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Notes to the Financial Statements

year ended March 31, 2009

5. INVESTMENTS (Continued)

Determination of fair values

Bonds are debt obligations of governments and corporate bodies paying interest at rates appropriate to the market at the date of their purchase. The fair value of the bonds are based upon published market quotations. They mature at face value on a staggered basis over the next two (2) years. Effective interest rates to maturity for these securities range from 2.98% to 3.76% (2008 - 2.95% to 10.75%).

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 9).

6. CAPITAL ASSETS

	2009			2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and fixtures	\$ 366,190	\$ 291,974	\$ 74,216	\$ 88,506
Computer hardware	248,215	211,955	36,260	49,879
Computer software	107,222	96,087	11,135	2,458
Vehicles	23,386	3,508	19,878	-
Leasehold improvements	301,317	291,976	9,341	43,566
	\$1,046,330	\$ 895,500	\$ 150,830	\$ 184,409

7. DEFERRED CONTRIBUTIONS

	2009	2008
Balance, beginning of year	\$ 736,757	\$ 861,092
Restricted contributions received during the year	1,484,328	2,180,346
Less amounts recognized as revenue in the year	(1,488,987)	(2,240,731)
Decrease in restricted contributions receivable	(30,534)	(63,950)
Balance, end of year	\$ 701,564	\$ 736,757

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Notes to the Financial Statements

year ended March 31, 2009

8. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS

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

	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 52,533	\$ 65,901
Less amounts recognized as revenue in the year	<u>(10,637)</u>	<u>(13,368)</u>
Balance, end of year	<u>\$ 41,896</u>	<u>\$ 52,533</u>

9. LONG-TERM FUND

The Long-Term Fund was created in 2001 from a \$10,000,000 grant from 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. On March 31, 2005, the Forum and DFAIT renewed the long-term funding for an additional \$20,000,000. Draw-downs from the Long-Term Fund are based on an agreed upon schedule covering a six-year period. Starting with fiscal 2007, the fund withdrawals recognized as revenue in the year include a component for interest. Interest recognized as revenue this year totals \$595,059 (2008 - \$500,000). As at March 31, 2009, the Long-Term Fund contains accumulated interest income of \$467,206 (2008 - \$737,524).

	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 11,844,681	\$ 15,478,335
Investment income	324,741	466,346
Fund withdrawals recognized as revenue in the year	<u>(3,995,059)</u>	<u>(4,100,000)</u>
Balance, end of year	8,174,363	11,844,681
Less current portion	<u>3,400,000</u>	<u>3,400,000</u>
Long-term portion	<u>\$ 4,774,363</u>	<u>\$ 8,444,681</u>

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Notes to the Financial Statements

year ended March 31, 2009

10. CONTINGENT LIABILITY

Pursuant to a contribution agreement with CIDA, there is a requirement for the Forum to contribute to the program, 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.

11. COMMITMENTS

The Forum is committed under an operating lease for an office facility that expires June 30, 2011. Annual payments are \$186,430.

12. PENSION CONTRIBUTIONS

The Forum contributes to a defined contribution pension plan for employees. The employer's contributions for the year were \$117,464 (2008 - \$110,121).

13. ECONOMIC DEPENDENCE

During the year, 74% (2008 - 66%) of the Forum's revenue was from DFAIT.

14. RELATED PARTY TRANSACTIONS

Related party transactions with directors during the year at exchange amounts were as follows:

	<u>2009</u>	<u>2008</u>
	Consulting/ Honarium Fees	Consulting/ Honarium Fees
A. Koller	\$ 40,000	\$ 40,000
J. Poirier	1,250	-
V. Ruiz	850	16,200
D. Cameron	4,920	47,135
R. Wilkins	-	10,045
	<u>\$ 47,020</u>	<u>\$ 113,380</u>

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS
Notes to the Financial Statements
year ended March 31, 2009

14. 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>2009</u>	<u>2008</u>
A. Koller	\$ 7,121	\$ 5,422
J. Poirier	1,250	-
V. Ruiz	750	4,696
R. Wilkins	-	10,045
	<u>\$ 9,121</u>	<u>\$ 20,163</u>

15. COMPARATIVE FIGURES

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

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

year ended March 31, 2009

	<u>2009</u>	<u>2008</u>
Consultants	\$ 533,878	\$ 692,592
Distribution costs of publications	140,598	140,026
Grants and honorariums	215,996	130,662
Meeting facilities and hospitality	75,028	102,422
Memberships and subscriptions	4,158	3,728
Office	133,002	99,151
Printing and publications	205,785	242,719
Promotions	1,426	6,251
Salaries and benefits	1,837,167	1,822,433
Support services	179,643	766,437
Telecommunications	84,204	92,098
Translation services	136,207	143,599
Travel	1,047,997	1,507,163
	\$ 4,595,089	\$ 5,749,281