

**FORUM OF FEDERATIONS/ FORUM DES FÉDÉRATIONS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

**Independent Auditor's Report
Statement of Operations
Statement of Changes in Net Assets
Statement of Financial Position
Statement of Cash Flows
Notes to Financial Statements
Schedule of Project Expenses**

INDEPENDENT AUDITOR'S REPORT

To
The Board of Directors of
Forum of Federations/ Forum des Fédérations

We have audited the accompanying financial statements of Forum of Federations/ Forum des Fédérations which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Forum of Federations/ Forum des Fédérations as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Connelly & Koshy, CPA, Professional Corporation

Authorized to practice public accounting by the Chartered Professional Accountants of Ontario

Ottawa, Ontario
February 22, 2017

FORUM OF FEDERATIONS/ FORUM DES FÉDÉRATIONS

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2016

	2016	2015
	\$	\$
REVENUE		
Department of Foreign Affairs and International Trade		
Projects	2,820,245	198,366
Canadian Contribution	100,000	50,000
Other foreign country contributions	1,313,372	949,848
Contribution of excess funds from CANEOM project	0	534,046
Federal Republic of Germany Project	806,900	208,912
Foreign exchange gain	55,127	26,530
Government of Switzerland Project	236,455	65,247
Other income	16,072	12,756
Interest	8,695	9,811
	<u>5,356,866</u>	<u>2,055,516</u>
EXPENSES		
Consultants	60,071	77,975
Leased equipment	2,028	2,467
Memberships and subscriptions	6,953	3,116
Office and general overhead	54,415	43,934
Printing and publications	1,086	2,105
Project expenses (schedule of project expenses)	4,494,563	1,170,907
Professional fees	20,032	27,826
Rent	79,133	70,545
Salaries and employee benefits	476,426	457,637
Telecommunications	31,862	30,830
Travel	52,278	56,314
	<u>5,278,847</u>	<u>1,943,656</u>
EXCESS OF REVENUES OVER EXPENSES	<u>78,019</u>	<u>111,860</u>
Amortization - capital assets	(7,581)	(9,446)
Amortization of deferred contributions for capital assets	2,181	2,732
	<u>(5,400)</u>	<u>(6,714)</u>
EXCESS OF REVENUES OVER EXPENSES	<u>72,619</u>	<u>105,146</u>

(See attached Independent Auditor's Report)
(See accompanying Notes to Financial Statements)

FORUM OF FEDERATIONS/ FORUM DES FÉDÉRATIONS

STATEMENT OF NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2016

	Unrestricted \$	Invested in Capital Assets \$	Total 2016 \$	Total 2015 \$
NET ASSETS , beginning of year	1,340,189	19,296	1,359,485	1,254,339
Excess of revenues over expenses for the year	78,019	(5,400)	72,619	105,146
Acquisition of capital assets	<u>(3,210)</u>	<u>3,210</u>	<u>0</u>	<u>0</u>
NET ASSETS , end of year	<u><u>1,414,998</u></u>	<u><u>17,106</u></u>	<u><u>1,432,104</u></u>	<u><u>1,359,485</u></u>

(See attached Independent Auditor's Report)
(See accompanying Notes to Financial Statements)

**FORUM OF FEDERATIONS/ FORUM DES FÉDÉRATIONS
(A Not for Profit Corporation)**

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2016

	2016	2015
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash	2,567,250	703,449
Term deposits	871,287	862,592
Accounts receivable (Note 4)	544,738	337,948
Due from related party (Note 14)	5,724	334,655
Prepaid expenses (Note 5)	8,869	15,785
Program and travel advances (Note 13)	<u>126,652</u>	<u>119,885</u>
	4,124,520	2,374,314
NON-CURRENT		
Equipment (Note 3)	<u>25,775</u>	<u>30,146</u>
TOTAL ASSETS	<u>4,150,295</u>	<u>2,404,460</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	975,137	163,519
Deferred contributions (Note 7)	1,734,385	870,606
Deferred contributions for capital assets (Note 8)	<u>8,669</u>	<u>10,850</u>
	2,718,191	1,044,975
NET ASSETS		
Invested in capital assets	17,106	19,296
Unrestricted net assets	<u>1,414,998</u>	<u>1,340,189</u>
	1,432,104	1,359,485
TOTAL LIABILITIES AND NET ASSETS	<u>4,150,295</u>	<u>2,404,460</u>
APPROVED ON BEHALF OF THE BOARD:		

Director _____

Director _____

(See attached Independent Auditor's Report)
(See accompanying Notes to Financial Statements)

**FORUM OF FEDERATIONS/ FORUM DES FÉDÉRATIONS
(A Not for Profit Corporation)**

SCHEDULE OF PROJECT EXPENSES

AS AT MARCH 31, 2016

	2016	2015
	\$	\$
Consultants	1,662,138	257,419
Distribution costs of publications	1,147	3,353
Grants and honorariums	0	157,251
Meeting facilities and hospitality	341,085	48,672
Office and general overhead	130,693	45,704
Printing and publications	44,717	36,753
Rent	29,045	11,517
Salaries and benefits	519,111	221,447
Support services	265,128	21,335
Telecommunications	16,975	12,638
Translation services	26,381	10,207
Travel	<u>1,458,143</u>	<u>344,611</u>
	<u>4,494,563</u>	<u>1,170,907</u>

(See attached Independent Auditor's Report)
(See accompanying Notes to Financial Statements)

FORUM OF FEDERATIONS/ FORUM DES FÉDÉRATIONS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2016

	2016	2015
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	72,619	105,146
Add: amortization	<u>5,400</u>	<u>6,714</u>
	78,019	111,860
Net change in accounts receivable	(206,790)	(71,245)
Net change in prepaid expenses	6,916	(30,967)
Net change in accounts payable and accrued liabilities	811,618	(168,912)
Net change in amounts due from related parties	328,931	(334,655)
Net change in advances	<u>(6,767)</u>	<u>(81,497)</u>
	<u>1,011,927</u>	<u>(575,416)</u>
INVESTING ACTIVITIES		
Acquisition of equipment	<u>(3,210)</u>	<u>0</u>
FINANCING ACTIVITIES		
Deferred contributions	<u>863,779</u>	<u>486,159</u>
CHANGE IN CASH AND EQUIVALENTS	1,872,496	(89,257)
CASH AND EQUIVALENTS, beginning of year	<u>1,566,041</u>	<u>1,655,298</u>
CASH AND EQUIVALENTS, end of year	<u>3,438,537</u>	<u>1,566,041</u>
REPRESENTED BY:		
Cash	2,567,250	703,449
Term deposits	<u>871,287</u>	<u>862,592</u>
	<u>3,438,537</u>	<u>1,566,041</u>

(See attached Independent Auditor's Report)
(See accompanying Notes to Financial Statements)

FORUM OF FEDERATIONS/ FORUM DES FÉDÉRATIONS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

1. PURPOSE OF THE ORGANIZATION

The Forum of Federations/Forum de Fédérations (the "Forum") is a non-profit, registered charity and 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 not subject to income taxes under the income tax act.

The Forum's head office is in Ottawa, Ontario but is present in several international countries.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Handbook and include the following significant accounting policies.

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. Endowment contributions are recognized as direct increases in net assets.

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.

Interest income is recognized in the period in which it is earned.

Equipment

Equipment are accounted for at cost. Amortization is based on their estimated useful life using the following methods and rates.

	Method	Rate
Vehicles	Diminishing balance	30%
Furniture and fixtures	Diminishing balance	20%
Computer hardware	Diminishing balance	30%

(See attached Independent Auditor's Report)

FORUM OF FEDERATIONS/ FORUM DES FÉDÉRATIONS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

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 a direct increase in net assets.

Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

Cash and cash equivalents

The entity's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and temporary investments with a maturity period of three months or less from the date of acquisition. Term deposits that the entity cannot use for current transactions because they are pledged as security are also excluded from cash and cash equivalents.

Financial instrument measurement

The Forum initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost.

The financial assets subsequently measured at amortized cost include cash, term deposits, accounts receivable, program and travel advances and amounts due from a related party.

The financial liabilities measured at amortized cost include the accounts payable and accrued liabilities and the deferred contributions.

(See attached Independent Auditor's Report)

FORUM OF FEDERATIONS/ FORUM DES FÉDÉRATIONS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed services

Contributed materials and services which are used in the normal course of operations and would otherwise have been purchased are recorded at their fair value at the date of the contribution if fair value can be reasonably estimated.

3. EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value 2016	Net Book Value 2015
	\$	\$	\$	\$
Vehicles	9,740	(8,104)	1,636	2,338
Furniture and fixtures	47,498	(31,934)	15,564	19,455
Computer hardware	30,839	(22,264)	8,575	8,353
	<u>88,077</u>	<u>(62,302)</u>	<u>25,775</u>	<u>30,146</u>

4. ACCOUNTS RECEIVABLE

	2016	2015
	\$	\$
Restricted contributions receivable	436,755	142,154
Contributions receivable	0	170,707
GST/HST recoverable	107,983	25,087
	<u>544,738</u>	<u>337,948</u>

5. PREPAID EXPENSES

Prepaid expenses include salaries, insurance and postage.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
	\$	\$
Trade and accrued liabilities	975,137	156,421
Source deductions payable	0	7,098
	<u>975,137</u>	<u>163,519</u>

(See attached Independent Auditor's Report)

FORUM OF FEDERATIONS/ FORUM DES FÉDÉRATIONS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

7. DEFERRED CONTRIBUTIONS

	2016	2015
	\$	\$
Balance, beginning of year	870,606	384,447
Restricted contributions received during the year	4,637,108	1,833,983
Less amounts recognized as revenue in the year	(3,995,566)	(1,472,374)
Increase (decrease) in restricted contributions receivable	392,944	(46,157)
Increase (decrease) in contributions receivable	(170,707)	170,707
Balance, end of year	<u>1,734,385</u>	<u>870,606</u>

8. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS

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

	2016	2015
	\$	\$
Balance, beginning of year	10,850	13,582
Less amounts recognized in the year	(2,181)	(2,732)
Balance, end of year	<u>8,669</u>	<u>10,850</u>

9. FINANCIAL INSTRUMENTS

The Forums exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at the reporting date, i.e. March 31, 2016.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The company's main credit risks relate to its accounts receivable. The company provides credit to its clients in the normal course of its operations.

The Forum determines, on a continuous basis, amounts receivable on the basis of amounts it is virtually certain to receive based on their estimated realizable value.

Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is not exposed to this risk.

(See attached Independent Auditor's Report)

FORUM OF FEDERATIONS/ FORUM DES FÉDÉRATIONS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

9. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Approximately 33% of the organization's revenues are in foreign currency. Consequently, some assets are exposed to foreign exchange fluctuations. As at March 31, 2016, cash and accounts receivable balances of \$245,638 and \$0 respectively (\$245,638 and \$120,707 in 2015) are foreign currency amounts which were converted into Canadian dollars at the appropriate exchange rate.

Interest rate risk

The Forum is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the organization to a fair value risk while the floating-rate instruments subject it to a cash flow risk. As at March 31, 2016 the organization had only its term deposits subject to interest rates. The interest rate risk is therefore minimal.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The organization had only its term deposits subject to interest rates. The other price risk is therefore minimal.

10. COMMITMENTS

The Forum is committed under an operating lease for an office facility that expires April 30, 2018. Annual payments are \$74,800. (2017 - \$74,800, 2018 - \$74,800)

11. PENSION CONTRIBUTIONS

The Forum contributes to a defined contribution pension plan for employees. The employer's contribution for the year was \$60,750 (2015 - \$97,338).

(See attached Independent Auditor's Report)

FORUM OF FEDERATIONS/ FORUM DES FÉDÉRATIONS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

12. COMPARATIVE FIGURES FOR THE PRIOR YEAR

Certain figures for 2015 have been reclassified to make their presentation identical to that adopted in 2016.

13. PROGRAM ADVANCES

Program advances include amounts that were advanced to certain countries for specific projects. If the funds are not spent, they are returned to the Forum.

14. DUE FROM RELATED PARTY

Due from related party includes amounts that were advanced to the Canadian Election Observation Missions (CANEOM), an entity under common control. During the year the organization received \$328,931 (2015 - advanced \$334,655) from Canadian Election Observation Missions. Amounts due from related party are interest bearing at variable rates and unsecured, with no specified terms of repayments.

During the year, the Forum of Federations also paid wages in the amount of \$18,510 to its employees for the time spent working for Canadian Election Observation Missions. This amount is included in the amounts due from related party.

The transactions were carried out in the normal course of operations and are recorded at the exchange value, which is the amount established and agreed to by the related parties.

(See attached Independent Auditor's Report)