

*Financial Statements of*

**FORUM OF FEDERATIONS/  
FORUM DES FÉDÉRATIONS**

*March 31, 2012*

## Independent Auditor's Report

To the Directors of  
Forum of Federations/Forum des Fédérations

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Forum of Federations/Forum des Fédérations (the "Forum"), which comprise the statement of financial position as at March 31, 2012 and the statements of changes in net assets, revenue and expenses 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 generally accepted accounting principles, 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 judgement, 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.

## **Independent Auditor's Report (Continued)**

### *Auditor's Responsibility (Continued)*

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 the Forum as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

### ***Report on Other Legal and Regulatory Requirements***

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

October 22, 2012

**FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS**  
**Financial Statements**  
**March 31, 2012**

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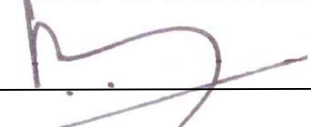
# FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

## Statement of Financial Position

as at March 31, 2012

	<u>2012</u>	<u>2011</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 1,083,910	\$ 1,419,556
Accounts receivable (Note 4)	199,409	272,857
Investments (Note 5)	569,615	773,385
Investments - restricted (Note 5)	1,050,000	952,671
Prepaid expenses	19,352	44,709
Program and travel advances	42,884	425,281
	<b>2,965,170</b>	<b>3,888,459</b>
CAPITAL ASSETS (Note 6)	<b>63,589</b>	84,333
INVESTMENTS (Note 5)	-	952,671
	<b>\$ 3,028,759</b>	<b>\$ 4,925,463</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 372,121	\$ 507,922
Deferred contributions (Note 7)	369,989	1,292,080
Deferred contributions - Long-Term Fund (Note 9)	1,050,000	952,671
	<b>1,792,110</b>	<b>2,752,673</b>
DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS (Note 8)	<b>21,295</b>	26,676
DEFERRED CONTRIBUTIONS - LONG-TERM FUND (Note 9)	-	952,671
	<b>1,813,405</b>	<b>3,732,020</b>
<b>NET ASSETS</b>		
Invested in capital assets	<b>42,294</b>	57,657
Unrestricted	<b>1,173,060</b>	1,135,786
	<b>1,215,354</b>	<b>1,193,443</b>
	<b>\$ 3,028,759</b>	<b>\$ 4,925,463</b>

APPROVED ON BEHALF OF THE BOARD

  
 \_\_\_\_\_ Chair

  
 \_\_\_\_\_ Treasurer

# FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

## Statement of Changes in Net Assets

year ended March 31, 2012

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	Invested in Capital Assets	Unrestricted	<u>2012</u>	<u>2011</u>
BALANCE, BEGINNING OF YEAR	\$ 57,657	\$ 1,135,786	\$ 1,193,443	\$ 1,135,998
Excess (deficiency) of revenue over expenses	(20,335)	42,246	21,911	57,445
Acquisition of capital assets	4,972	(4,972)	-	-
BALANCE, END OF YEAR	\$ 42,294	\$ 1,173,060	\$ 1,215,354	\$ 1,193,443

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# FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

## Statement of Revenue and Expenses

year ended March 31, 2012

	<u>2012</u>	<u>2011</u>
Revenue		
Department of Foreign Affairs and International Trade		
Long-Term Fund	\$ 871,544	\$ 2,716,171
Projects	671,465	969,065
Canadian contribution	50,000	48,530
Other foreign country contributions	843,834	318,711
Federal Republic of Germany Project	1,196,147	1,929,608
Government of Switzerland Project	168,221	982,690
Government of Quebec	62,804	-
Other projects	74,862	68,474
Other income	30,997	32,445
Interest	2,406	2,695
	<b>3,972,280</b>	<b>7,068,389</b>
Expenses		
Advertising and promotion	-	1,357
Consultants	116,443	96,504
Foreign exchange (gain) loss	(10,144)	34,164
Leased equipment	6,122	7,055
Memberships and subscriptions	3,308	499
Office and general	48,831	52,667
Printing and publications	8,246	1,041
Professional fees	50,229	34,737
Projects (Schedule)	3,201,718	5,936,343
Rent	159,609	222,647
Salaries and benefits	317,028	462,854
Telephone and internet	28,002	27,274
Translation services	-	98
Travel	642	102,962
	<b>3,930,034</b>	<b>6,980,202</b>
Excess of revenue over expenses before the undernoted	<b>42,246</b>	<b>88,187</b>
Amortization of deferred contributions for capital assets	<b>5,381</b>	<b>6,749</b>
Amortization of capital assets	<b>(25,716)</b>	<b>(37,491)</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ 21,911</b>	<b>\$ 57,445</b>

# FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

## Statement of Cash Flows

year ended March 31, 2012

	<u>2012</u>	<u>2011</u>
CASH PROVIDED BY (USED FOR):		
OPERATING		
Excess of revenue over expenses	\$ 21,911	\$ 57,445
Items not affecting cash		
Amortization of deferred contributions for capital assets	(5,381)	(6,749)
Amortization of capital assets	25,716	37,491
	<u>42,246</u>	88,187
Changes in non-cash operating working capital items		
Accounts receivable	73,448	32,471
Prepaid expenses	25,357	(13,509)
Program and travel advances	382,397	(158,933)
Accounts payable and accrued liabilities	(135,801)	(324,705)
	<u>387,647</u>	(376,489)
INVESTING		
Investment withdrawals	1,059,112	2,856,668
Acquisition of capital assets	(4,972)	(10,284)
	<u>1,054,140</u>	2,846,384
FINANCING		
Deferred contributions	(1,777,433)	(2,389,306)
NET CASH INFLOW (OUTFLOW)	(335,646)	80,589
CASH, BEGINNING OF YEAR	1,419,556	1,338,967
CASH, END OF YEAR	<u>\$ 1,083,910</u>	<u>\$ 1,419,556</u>



# FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

## Notes to the Financial Statements

year ended March 31, 2012

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### 1. NATURE OF OPERATIONS

The Forum of Federations/Forum des Fédérations (the "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 economically dependent on the Department of Foreign Affairs and International Trade (DFAIT) for its future revenue. The funding agreement with DFAIT has not been renewed (Note 9). The forum is currently reviewing its long-term funding strategy.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Canadian Institute of Chartered Accountants (CICA) Handbook - Part V *Pre-Changeover Accounting Standards* (Canadian GAAP) and include the following significant accounting policies:

#### *Future accounting changes*

In 2010, the CICA issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for fiscal years beginning on or after January 1, 2012, not-for-profit organizations may adopt either the CICA Handbook Part I - *International Financial Reporting Standards* or Part III - *Accounting Standard for Not-for-Profit Organizations*. The Forum currently plans to adopt Part III - *Accounting Standards for Not-for-Profit Organizations* effective April 1, 2012. The impact of the transition has not yet been determined.

#### *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 method.

# FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

## Notes to the Financial Statements

year ended March 31, 2012

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Financial instruments (Continued)*

Classifications made by the Forum are as follows:

Cash	Held-for-trading
Investments and investments - restricted	Held-to-maturity
Accounts receivable	Loans and receivables
Program and travel advances	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 method, less any impairment.

#### Loans and receivables

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

#### Other liabilities

These financial liabilities are recorded at amortized cost using the effective interest 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, 2012

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### 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, 2012

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### 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>2012</u>	<u>2011</u>
Restricted contributions receivable	\$ 93,879	\$ 112,088
Canada Revenue Agency (GST)	15,835	48,772
Ontario Government (PST)	35,259	23,037
Other	54,436	88,960
	<u>\$ 199,409</u>	<u>\$ 272,857</u>

### 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, foreign exchange 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 rate 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.

**FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS**  
**Notes to the Financial Statements**  
year ended March 31, 2012

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**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 in December 2012. Term deposits mature in April 2012 with interest rates of 1.2% and 1.25%. Cash for re-investments represent investment which matured in March 2012 that were not re-invested immediately.

*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).

	<b>2012</b>		
	Amortized <u>Cost</u>	Fair <u>Value</u>	% of <u>Cost</u>
Canadian bonds	\$ 692,163	\$ 697,620	42.8
Term deposit	560,000	566,490	34.7
Cash for re-investments	367,452	367,452	22.5
Total investments	1,619,615	<b>\$ 1,631,562</b>	<b>100.0</b>
Less current unrestricted portion	569,615		
Less current restricted portion	1,050,000		
Long-term unrestricted portion	<b>\$ -</b>		
	<b>2011</b>		
	Amortized <u>Cost</u>	Fair <u>Value</u>	% of <u>Cost</u>
Canadian bonds	\$ 541,847	\$ 548,230	20.2
Term deposit	837,328	837,328	31.3
Treasury bill	1,299,552	1,299,552	48.5
Total investments	2,678,727	<b>\$ 2,685,110</b>	<b>100.0</b>
Less current unrestricted portion	773,385		
Less current restricted portion	952,671		
Long-term restricted portion	<b>\$ 952,671</b>		

# FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

## Notes to the Financial Statements

year ended March 31, 2012

### 6. CAPITAL ASSETS

	2012			2011
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and fixtures	\$ 47,498	\$ 9,220	\$ 38,278	\$ 47,778
Computer hardware	21,411	6,423	14,988	21,412
Computer software	8,572	6,028	2,544	3,660
Vehicles	9,740	2,922	6,818	9,740
Leasehold improvements	1,763	802	961	1,743
	<b>\$ 88,984</b>	<b>\$ 25,395</b>	<b>\$ 63,589</b>	<b>\$ 84,333</b>

### 7. DEFERRED CONTRIBUTIONS

	2012	2011
Balance, beginning of year	\$ 1,292,080	\$ 997,299
Restricted contributions received during the year	1,366,647	4,337,417
Less amounts recognized as revenue in the year	(2,173,499)	(3,949,837)
Decrease in restricted contributions receivable	(42,088)	(92,799)
Repayment of contributions receivables	(73,151)	-
Balance, end of year	<b>\$ 369,989</b>	<b>\$ 1,292,080</b>

### 8. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS

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

	2012	2011
Balance, beginning of year	\$ 26,676	\$ 33,425
Less amounts recognized as revenue in the year	(5,381)	(6,749)
Balance, end of year	<b>\$ 21,295</b>	<b>\$ 26,676</b>

# FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

## Notes to the Financial Statements

year ended March 31, 2012

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### 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 were based on an agreed upon schedule covering a six-year period. During the year, the Forum received confirmation from DFAIT, that the remaining balance of \$1,905,342 may be used by the Forum in a manner consistent with the agreement. Management has determined that it will be drawn-down in the next fiscal year.

Since fiscal 2007, the fund withdrawals recognized as revenue in the year can include a component for interest. Interest recognized as revenue this year totals \$NIL (2011 - \$NIL). As at March 31, 2012, the Long-Term Fund contains accumulated interest income of \$379,088 (2011 - \$362,886).

The Forum received in 2012 an additional contribution of \$50,000 which has been recognized as Canadian contribution in the Statement of Revenue and Expenses. In 2011, the fund withdrawals included \$48,530 for the Government of Canada's contribution as a member of the Forum.

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 1,905,342	\$ 4,589,429
Investment income	16,202	80,614
Fund withdrawals recognized as revenue in the year	<u>(871,544)</u>	<u>(2,764,701)</u>
Balance, end of year	1,050,000	1,905,342
Less current portion	<u>1,050,000</u>	<u>952,671</u>
Long-term portion	<u>\$ -</u>	<u>\$ 952,671</u>

# FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

## Notes to the Financial Statements

year ended March 31, 2012

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### 10. COMMITMENTS

The Forum is committed under an operating lease for an office facility that expires June 30, 2013. Annual payments are \$123,500.

### 11. PENSION CONTRIBUTIONS

The Forum contributes to a defined contribution pension plan for employees. The employer's contributions for the year were \$84,795 (2011 - \$123,177).

### 12. ECONOMIC DEPENDENCE

During the year, 40% (2011 - 54%) of the Forum's revenue was from DFAIT.

### 13. RELATED PARTY TRANSACTIONS

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

	<u>2012</u>	<u>2011</u>
	Consulting/ Honorary Fees	Consulting/ Honorary Fees
V. Kelkar	\$ 20,000	\$ 30,000
J. Poirier	4,900	-
W. Linder	-	10,400
R. Watts	-	4,400
V. Ruiz	-	750
A. Koller	-	-
	<u>\$ 24,900</u>	<u>\$ 45,550</u>

### 14. 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, 2012

	<u>2012</u>	<u>2011</u>
Consultants	\$ 715,337	\$ 1,195,536
Distribution costs of publications	24,157	83,500
Grants and honorariums	239,151	268,664
Meeting facilities and hospitality	148,670	172,919
Memberships and subscriptions	2,405	3,131
Office	103,116	153,460
Printing and publications	114,639	195,724
Professional fees	14,974	28,933
Rent	41,053	138,206
Salaries and benefits	743,916	1,794,555
Support services	265,476	249,554
Telecommunications	54,711	82,578
Translation services	18,818	70,523
Travel	715,295	1,499,060
	<u>\$ 3,201,718</u>	<u>\$ 5,936,343</u>