

FORUM OF FEDERATIONS / FORUM DES FÉDÉRATIONS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

Independent Auditors' Report
Statement of Operations
Statement of Changes in Net Assets^t
Statement of Financial Position
Statement of Cash Flows
Notes to Financial Statements
Schedule of Project Expenses



CONNELLY & KOSHY
PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' 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, 2018, 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, 2018, 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 practise public accounting by the Chartered Professional Accountants of Ontario

Ottawa, Ontario
October 22, 2018

1445 Woodroffe Avenue, Ottawa, Ontario K2G 1W1
phone 613.224.0212 fax 613.225.0730

295-1101 Prince of Wales Drive, Ottawa, Ontario K2C 3W7
phone 613.565.7151 fax 613.701.0605

www.ck-ca.com toll free 1.855.224.0212

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FORUM OF FEDERATIONS / FORUM DES FÉDÉRATIONS

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2018

	2018	2017
	\$	\$
REVENUE		
Global Affairs Canada	3,556,896	2,063,140
Other partner country contributions	431,252	572,456
Federal Republic of Germany	236,878	445,225
Government of Switzerland	389,803	391,459
Foreign exchange gain	1,033	14,119
In-kind revenue (Note 13)	22,518	9,718
Other income	72,852	12,288
Contribution of excess funds from CANEOM project	0	11,232
Interest	5,539	9,875
	<u>4,716,771</u>	<u>3,529,512</u>
EXPENSES		
Consultants	103,457	85,797
Leased equipment	981	4,578
Memberships and subscriptions	2,775	8,621
Office and general overhead	55,458	57,833
Printing and publications	10,233	5,613
Project expenses (Schedule of Project Expenses)	3,917,261	2,721,420
Professional fees	31,932	28,948
Rent	74,063	76,976
Salaries and employee benefits	522,317	533,505
Telecommunications and utilities	24,522	27,162
Travel	48,044	74,507
	<u>4,791,043</u>	<u>3,624,960</u>
DEFICIENCY OF REVENUES OVER EXPENSES BEFORE AMORTIZATION	<u>(74,272)</u>	<u>(95,448)</u>
Amortization - capital assets	(4,291)	(7,323)
Amortization of deferred contributions for capital assets	0	8,669
	<u>(4,291)</u>	<u>1,346</u>
DEFICIENCY OF REVENUES OVER EXPENSES	<u>(78,563)</u>	<u>(94,102)</u>

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

FORUM OF FEDERATIONS / FORUM DES FÉDÉRATIONS

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2018

	Unrestricted \$	Invested in Capital Assets \$	Total 2018 \$	Total 2017 \$
NET ASSETS , beginning of year	1,319,550	18,452	1,338,002	1,432,104
Deficiency of revenues over expenses for the year	<u>(74,272)</u>	<u>(4,291)</u>	<u>(78,563)</u>	<u>(94,102)</u>
NET ASSETS , end of year	<u>1,245,278</u>	<u>14,161</u>	<u>1,259,439</u>	<u>1,338,002</u>

(See attached Independent Auditors' 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, 2018

	2018	2017
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash	2,326,385	1,650,413
Term deposits (Note 14)	727,292	881,166
Accounts receivable (Note 4)	364,925	635,119
Due from related party	0	17,520
Prepaid expenses (Note 5)	49,476	5,454
Program and travel advances (Note 12)	<u>614,568</u>	<u>276,612</u>
	4,082,646	3,466,284
NON-CURRENT		
Equipment (Note 3)	<u>14,161</u>	<u>18,452</u>
TOTAL ASSETS	<u>4,096,807</u>	<u>3,484,736</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	239,371	250,315
Deferred contributions (Note 7)	<u>2,597,997</u>	<u>1,896,419</u>
	<u>2,837,368</u>	<u>2,146,734</u>
NET ASSETS		
Invested in capital assets	14,161	18,452
Unrestricted net assets	<u>1,245,278</u>	<u>1,319,550</u>
	<u>1,259,439</u>	<u>1,338,002</u>
TOTAL LIABILITIES AND NET ASSETS	<u>4,096,807</u>	<u>3,484,736</u>

APPROVED ON BEHALF OF THE BOARD:

Director

Foray Williams

Director

Chattopadhyay

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

FORUM OF FEDERATIONS / FORUM DES FÉDÉRATIONS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2018

	2018	2017
	\$	\$
OPERATING ACTIVITIES		
Deficiency of revenues over expenses for the year	(78,563)	(94,102)
Add: Amortization	<u>12,960</u>	<u>7,323</u>
	(65,603)	(86,779)
Change in working capital accounts		
Net change in contributions receivable	246,976	(172,289)
Net change in GST/HST receivable	23,218	81,908
Net change in prepaid expenses	(44,022)	3,415
Net change in accounts payable and accrued liabilities	(10,944)	(724,822)
Net change in amounts due from related parties	17,520	(11,796)
Net change in program and travel advances	(337,956)	(149,960)
Net change in deferred contributions	<u>692,909</u>	<u>153,365</u>
CHANGE IN CASH AND EQUIVALENTS	522,098	(906,958)
CASH AND EQUIVALENTS, beginning of year	<u>2,531,579</u>	<u>3,438,537</u>
CASH AND EQUIVALENTS, end of year	<u>3,053,677</u>	<u>2,531,579</u>
REPRESENTED BY:		
Cash	2,326,385	1,650,413
Term deposits	<u>727,292</u>	<u>881,166</u>
	<u>3,053,677</u>	<u>2,531,579</u>

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

FORUM OF FEDERATIONS / FORUM DES FÉDÉRATIONS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

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 the organization has operations 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.

	<u>Method</u>	<u>Rate</u>
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, 2018

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 Forum'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, and program and travel advances.

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

(See attached Independent Auditor's Report)

FORUM OF FEDERATIONS / FORUM DES FÉDÉRATIONS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

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.

Translation of foreign currency transactions and items

The organization uses the temporal method to translate its foreign currency transactions. Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenues and expenses are translated at the average rate for the year.

3. EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value 2018	Net Book Value 2017
	\$	\$	\$	\$
Furniture and fixtures	47,498	(37,537)	9,961	12,451
Computer hardware	<u>30,839</u>	<u>(26,639)</u>	<u>4,200</u>	<u>6,001</u>
	<u>78,337</u>	<u>(64,176)</u>	<u>14,161</u>	<u>18,452</u>

4. ACCOUNTS RECEIVABLE

	2018	2017
	\$	\$
Restricted contributions receivable	130,824	240,085
Unrestricted contributions receivable	184,808	345,726
GST/HST receivable	49,293	26,075
Other receivables	<u>0</u>	<u>23,233</u>
	<u>364,925</u>	<u>635,119</u>

5. PREPAID EXPENSES

Prepaid expenses include insurance premiums, postage, and deferred board expenses.

(See attached Independent Auditor's Report)

FORUM OF FEDERATIONS / FORUM DES FÉDÉRATIONS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
	\$	\$
Trade accounts payable and accrued liabilities	210,811	250,315
Employee tax deductions	<u>28,560</u>	<u>0</u>
	<u><u>239,371</u></u>	<u><u>250,315</u></u>

7. DEFERRED CONTRIBUTIONS

	2018	2017
	\$	\$
Balance, beginning of year	1,896,419	1,734,385
Restricted contributions received during the year	5,644,718	3,365,154
Less amounts recognized as revenue in the year	(4,614,830)	(3,447,786)
Decrease in restricted contributions receivable	(112,584)	(101,060)
Increase (decrease) in contributions receivable	<u>(215,726)</u>	<u>345,726</u>
Balance, end of year	<u><u>2,597,997</u></u>	<u><u>1,896,419</u></u>

8. FINANCIAL INSTRUMENTS

The Forum is 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, 2018.

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.

(See attached Independent Auditor's Report)

FORUM OF FEDERATIONS / FORUM DES FÉDÉRATIONS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

8. FINANCIAL INSTRUMENTS (CONTINUED)

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.

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 30% of the organization's revenues are in foreign currency. Consequently, some assets are exposed to foreign exchange fluctuations. As at March 31, 2018, cash balances of \$81,164 (2017 - \$3,590) are USD currency amounts which were converted into Canadian dollars at the appropriate exchange rates.

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, 2018 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.

9. COMMITMENTS

The Forum is committed under an operating lease for an office facility that expires October 31, 2018. Annual payments are \$74,800 (2019 - \$43,633).

The Forum is committed under an operating lease for office equipment that was renewed January 1, 2018. Annual payments are \$980.

(See attached Independent Auditor's Report)

FORUM OF FEDERATIONS / FORUM DES FÉDÉRATIONS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

10. PENSION CONTRIBUTIONS

The Forum contributes to a defined contribution pension plan for employees. The employer's contribution for the year was \$61,814 (2017 - \$63,130).

11. COMPARATIVE FIGURES FOR THE PRIOR YEAR

Certain figures for 2017 have been reclassified to make their presentation identical to that adopted in 2018.

12. PROGRAM AND TRAVEL ADVANCES

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

13. NON-MONETARY TRANSACTIONS

The organization receives assistance from a university internship program. Students work on organizational projects to earn curriculum credits. The hours worked by students are valued at \$15 per hour and are recognized as in-kind revenue as well as in-kind expense. There is no related gain or loss as a result of these transactions.

14. TERM DEPOSITS

The organization invests in one-year term deposits with RBC Dominion Securities Inc. that matured during the year at interest rates between 0.70% -1.40%, per annum. The organization's policy, as approved by the Board of Directors, has an emphasis on preservation and safety of capital while ensuring liquidity of funds needed to meet operational objectives. Accordingly, only interest income is recognized in the financial statements.

(See attached Independent Auditor's Report)

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

SCHEDULE OF PROJECT EXPENSES

AS AT MARCH 31, 2018

	2018	2017
	\$	\$
Consultants	1,563,693	910,348
Distribution costs of publications	3,768	855
In-kind expenses (Note 13)	22,518	11,920
Meeting facilities and hospitality	312,457	175,688
Office and general overhead	163,869	130,407
Printing and publications	15,657	43,657
Professional fees	10,292	14,452
Promotions	5,133	2,374
Rent	35,642	19,400
Salaries and benefits	629,729	575,731
Support services	75,745	80,718
Telecommunications	28,680	15,546
Translation services	9,792	10,923
Travel	1,029,766	729,401
Memberships and subscriptions	10,520	0
	<u>3,917,261</u>	<u>2,721,420</u>

(See attached Independent Auditor's Report)