

FORUM OF FEDERATIONS / FORUM DES FÉDÉRATIONS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

Independent Auditors' 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



To
The members of
Forum of Federations / Forum des Fédérations

Opinion

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, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Forum of Federations / Forum des Fédérations as at March 31, 2019, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Connelly & Koshy, CPA, Professional Corporation

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

Ottawa, Ontario
September 30, 2019



FORUM OF FEDERATIONS / FORUM DES FÉDÉRATIONS

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
	\$	\$
REVENUE		
Global Affairs Canada - projects	4,535,537	3,556,896
Other partner country contributions	693,506	431,252
Federal Republic of Germany	195,000	236,878
Government of Switzerland	382,093	389,803
Foreign exchange gain (loss)	(1,003)	1,033
In-kind revenue (Note 14)	86,695	22,518
Other income	16,093	72,852
Interest	6,540	5,539
	<u>5,914,461</u>	<u>4,716,771</u>
EXPENSES		
Consultants	106,981	103,457
Leased equipment	1,532	981
Memberships and subscriptions	11,577	2,775
Office and general overhead	65,097	55,460
Printing and publications	350	10,865
Professional fees	67,378	31,932
Project expenses (Schedule of Project Expenses)	4,724,424	3,916,626
Rent (Note 9)	74,171	74,063
Salaries and employee benefits	478,383	522,317
Telecommunications	25,259	24,522
Travel	150,195	48,045
	<u>5,705,347</u>	<u>4,791,043</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE AMORTIZATION	<u>209,114</u>	<u>(74,272)</u>
Amortization of capital assets	(11,501)	(4,291)
Amortization of deferred contributions for capital assets	8,248	0
	<u>(3,253)</u>	<u>(4,291)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>205,861</u>	<u>(78,563)</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, 2019

	Unrestricted	Invested in	Total	Total
	\$	Capital Assets	2019	2018
	\$	\$	\$	\$
NET ASSETS , beginning of year	1,245,278	14,161	1,259,439	1,338,002
Excess (deficiency) of revenues over expenses	209,114	(11,501)	197,613	(78,563)
Amortization of deferred contributions for capital assets	8,248	0	8,248	0
Acquisition of capital assets	<u>(54,990)</u>	<u>54,990</u>	<u>0</u>	<u>0</u>
NET ASSETS , end of year	<u><u>1,407,650</u></u>	<u><u>57,650</u></u>	<u><u>1,465,300</u></u>	<u><u>1,259,439</u></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, 2019

	2019	2018
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash	2,119,572	2,326,385
Term deposits (Note 15)	533,832	727,292
Accounts receivable (Note 4)	552,184	364,925
Prepaid expenses (Note 5)	33,787	49,476
Program and travel advances (Note 13)	<u>313,731</u>	<u>614,568</u>
	3,553,106	4,082,646
NON-CURRENT		
Equipment (Note 3)	<u>57,650</u>	<u>14,161</u>
TOTAL ASSETS	<u>3,610,756</u>	<u>4,096,807</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	168,976	239,371
Deferred contributions (Note 7)	1,929,739	2,597,997
Deferred contributions for capital assets (Note 8)	<u>46,741</u>	<u>0</u>
	2,145,456	2,837,368
NET ASSETS		
Invested in capital assets	57,650	14,161
Unrestricted net assets	<u>1,407,650</u>	<u>1,245,278</u>
	1,465,300	1,259,439
TOTAL LIABILITIES AND NET ASSETS	<u>3,610,756</u>	<u>4,096,807</u>
APPROVED ON BEHALF OF THE BOARD:		

Director _____

Director _____

(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, 2019

	2019	2018
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses for the year	205,861	(78,563)
Add: Amortization of capital assets	<u>11,501</u>	<u>4,291</u>
	<u>217,362</u>	<u>(74,272)</u>
Change in working capital accounts		
Net change in contributions receivable	(151,788)	246,976
Net change in GST/HST receivable	(35,471)	23,218
Net change in prepaid expenses	15,689	(44,022)
Net change in accounts payable and accrued liabilities	(70,395)	(10,944)
Net change in amounts due from related parties	0	17,520
Net change in program and travel advances	300,837	(337,956)
Net change in deferred contributions	(668,258)	701,578
Net change in deferred contributions for capital assets	<u>46,741</u>	<u>0</u>
Total change in working capital accounts	<u>(562,645)</u>	<u>522,098</u>
INVESTING ACTIVITIES		
Acquisition of capital assets	<u>(54,990)</u>	<u>0</u>
CHANGE IN CASH AND EQUIVALENTS	(400,273)	522,098
CASH AND EQUIVALENTS, beginning of year	<u>3,053,677</u>	<u>2,531,579</u>
CASH AND EQUIVALENTS, end of year	<u><u>2,653,404</u></u>	<u><u>3,053,677</u></u>
REPRESENTED BY:		
Cash	2,119,572	2,326,385
Term deposits	<u>533,832</u>	<u>727,292</u>
	<u><u>2,653,404</u></u>	<u><u>3,053,677</u></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, 2019

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 exempt from tax by virtue of paragraph 149(1)(f) of 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 is accounted for at cost. Amortization is based on the assets' estimated useful life using the following methods and rates. Note: One-half of amortization is taken in the year of acquisition.

	<u>Method</u>	<u>Rate</u>
Furniture and fixtures	Diminishing balance	20%
Computer hardware	Diminishing balance	30%
Vehicle	Diminishing balance	30%

(See attached Independent Auditors' Report)

FORUM OF FEDERATIONS / FORUM DES FÉDÉRATIONS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

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, and deferred contributions.

(See attached Independent Auditors' Report)

FORUM OF FEDERATIONS / FORUM DES FÉDÉRATIONS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

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 2019	Net Book Value 2018
	\$	\$	\$	\$
Furniture and fixtures	47,498	(39,529)	7,969	9,961
Computer hardware	30,839	(27,900)	2,939	4,200
Vehicle	<u>54,990</u>	<u>(8,248)</u>	<u>46,742</u>	<u>0</u>
	<u>133,327</u>	<u>(75,677)</u>	<u>57,650</u>	<u>14,161</u>

4. ACCOUNTS RECEIVABLE

	2019	2018
	\$	\$
Restricted contributions receivable	467,420	130,824
Unrestricted contributions receivable	0	184,808
GST/HST receivable	<u>84,764</u>	<u>49,293</u>
	<u>552,184</u>	<u>364,925</u>

5. PREPAID EXPENSES

Prepaid expenses include insurance premiums, postage, rent, and board meeting expenses.

(See attached Independent Auditors' Report)

FORUM OF FEDERATIONS / FORUM DES FÉDÉRATIONS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
	\$	\$
Trade accounts payable and accrued liabilities	168,976	210,811
Employee tax deductions	<u>0</u>	<u>28,560</u>
	<u>168,976</u>	<u>239,371</u>

7. DEFERRED CONTRIBUTIONS

	2019	2018
	\$	\$
Balance, beginning of year	2,597,997	1,896,419
Restricted contributions received during the year	4,860,697	5,644,718
Less amounts recognized as revenue in the year	(5,861,125)	(4,614,830)
Increase (decrease) in restricted contributions receivable	137,170	(112,584)
Increase (decrease) in contributions receivable	<u>195,000</u>	<u>(215,726)</u>
Balance, end of year	<u>1,929,739</u>	<u>2,597,997</u>

8. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS

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

	2019	2018
	\$	\$
Balance, beginning of year	0	0
Add amounts received during the year	54,990	0
Less amounts recognized as revenue in the year	<u>(8,249)</u>	<u>0</u>
Balance, end of year	<u>46,741</u>	<u>0</u>

9. COMMITMENTS

The Forum is committed under an operating lease for an office facility in Ottawa that expires April 30, 2020. Gross annual payments for the 2020 fiscal year total \$87,474 (2019 - \$86,995).

The Forum also entered into an agreement August 01, 2017 under an operating lease for an office facility in Ethiopia which expires July 24, 2022. Gross rent payments as agreed to by the parties are not to exceed \$46,000 per year.

(See attached Independent Auditors' Report)

FORUM OF FEDERATIONS / FORUM DES FÉDÉRATIONS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

10. 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, 2019.

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 Forum 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 1.91% of the organization's revenues are in foreign currency. Consequently, some assets are exposed to foreign exchange fluctuations. As at March 31, 2019, cash balances of \$405 (2017 - \$81,164) 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, 2019 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.

(See attached Independent Auditors' Report)

(See attached Independent Auditors' Report)

FORUM OF FEDERATIONS / FORUM DES FÉDÉRATIONS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

11. PENSION CONTRIBUTIONS

The Forum contributes to a defined contribution pension plan for employees. The employer's contribution for the 2019 fiscal year was \$66,444 (2018 - \$64,539).

12. COMPARATIVE FIGURES FOR THE PRIOR YEAR

Certain figures for 2018 have been reclassified to make their presentation identical to that adopted in 2019.

13. 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.

14. NON-MONETARY TRANSACTIONS

The organization received assistance from a university internship program in both the 2018 and 2019 fiscal years. Students worked on organizational projects to earn curriculum credits. The hours worked by students were valued at \$15 per hour and the total time value for interns was \$25,992 in 2019 (2018 - \$22,518). The university also covered rent, per diem, and airfare expenses for these interns of \$18,196 (2018 - \$0).

In the 2019 fiscal year, the organization received value of \$8,600 (2018 - \$0) for consultants' travel time for which it did not have to pay. In addition, the organization received donated books with a fair market value of \$33,907 in 2019 (2018 - \$0). The above amounts were recognized as in-kind revenue as well as in-kind expense in their respective fiscal years.

There was no related gain or loss as a result of these transactions.

15. TERM DEPOSITS

The organization invests in one-year term deposits with RBC Dominion Securities Inc. that matured during the year at interest rate of 1.00%, 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 Auditors' Report)

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

SCHEDULE OF PROJECT EXPENSES

AS AT MARCH 31, 2019

	2019	2018
	\$	\$
Consultants	1,512,789	1,494,769
Distribution costs of publications	2,262	3,768
In-kind expenses (Note 14)	86,695	22,518
Meeting facilities and hospitality	435,057	312,457
Memberships and subscriptions	495	10,520
Office and general overhead	207,686	164,854
Printing and publications	74,431	15,657
Professional fees	16,965	10,292
Promotions	13,834	5,133
Rent	74,813	35,642
Salaries and benefits	820,998	698,654
Support services	447,256	75,745
Telecommunications	21,016	27,692
Translation services	29,970	9,159
Travel	980,157	1,029,766
	<u>4,724,424</u>	<u>3,916,626</u>

(See attached Independent Auditors' Report)