

Financial Statements of

**FORUM OF FEDERATIONS/
FORUM DES FÉDÉRATIONS**

March 31, 2007

Deloitte & Touche LLP
800 - 100 Queen Street
Ottawa, ON K1P 5T8
Canada

Tel: (613) 236-2442
Fax: (613) 236-2195
www.deloitte.ca

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, 2007 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, 2007 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

May 18, 2007

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS
Financial Statements
March 31, 2007

	<u>PAGE</u>
Statement of Financial Position	1
Statement of Changes in Net Assets	2
Statement of Revenue and Expenses	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 - 11
Schedule of Project Expenses	12


FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Statement of Financial Position

as at March 31, 2007

	2007	2006
CURRENT ASSETS		
Cash	\$ 1,257,639	\$ 648,655
Accounts receivable (Note 3)	333,036	418,776
Investments (Note 4)	1,803,334	1,762,249
Investments - restricted (Note 4)	3,600,000	4,000,000
Prepaid expenses	37,866	23,943
Program advances	73,372	-
	7,105,247	6,853,623
CAPITAL ASSETS (Note 5)	204,404	173,351
INVESTMENTS - RESTRICTED (Note 4)	10,745,988	13,857,214
	\$ 18,055,639	\$ 20,884,188
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 679,946	\$ 445,928
Deferred contributions (Note 6)	1,826,525	1,714,048
Deferred contributions - Long-Term Fund (Note 8)	3,600,000	4,000,000
	6,106,471	6,159,976
DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS (Note 7)	65,901	82,711
DEFERRED CONTRIBUTIONS - LONG-TERM FUND (Note 8)	10,745,988	13,857,214
	16,918,360	20,099,901
CONTINGENT LIABILITY (Note 9)		
NET ASSETS		
Invested in capital assets	138,503	90,640
Unrestricted	998,776	693,647
	1,137,279	784,287
	\$ 18,055,639	\$ 20,884,188

APPROVED ON BEHALF OF THE BOARD



Chair



Treasurer

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Statement of Changes in Net Assets

year ended March 31, 2007

	Invested in Capital Assets	Unrestricted	<u>2007</u>	<u>2006</u>
BALANCE, BEGINNING OF YEAR	\$ 90,640	\$ 693,647	\$ 784,287	\$ 482,599
Excess (deficiency) of revenue over expenses	(33,998)	386,990	352,992	301,688
Investment in capital assets	81,861	(81,861)	-	-
BALANCE, END OF YEAR	\$ 138,503	\$ 998,776	\$ 1,137,279	\$ 784,287

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Statement of Revenue and Expenses

year ended March 31, 2007

	2007	2006
Revenue		
Department of Foreign Affairs and International Trade		
Long-Term Fund	\$ 4,289,022	\$ 3,232,235
Projects	357,534	171,401
Canadian contribution	57,645	55,665
Other foreign country contributions	283,158	177,140
Canadian International Development Agency (CIDA)	367,794	117,223
Government of India Project	214,058	-
Government of Switzerland Project	84,405	81,800
Government of Norway Project	73,221	-
Other projects	65,351	33,280
Interest	23,966	8,728
Foreign exchange gain (loss)	1,025	(15,666)
Other income	43,367	6,768
National Democratic Institute	-	633,678
	5,860,546	4,502,252
Expenses		
Advertising and promotion	2,491	9,641
Consultants	149,097	117,807
Grants and Honorariums	36,000	36,000
Leased equipment	4,727	5,478
Meetings and facilities	-	311
Office and general	134,140	69,844
Printing and publications	686	2,863
Professional fees	65,132	26,803
Projects (Schedule)	4,471,277	3,082,620
Rent	186,333	186,784
Salaries and benefits	387,642	504,688
Telephone and internet	20,946	18,838
Travel	15,085	105,468
	5,473,556	4,167,145
Excess of revenue over expenses before the undernoted	386,990	335,107
Amortization of deferred contributions for capital assets	16,810	21,156
Amortization of capital assets	(50,808)	(54,575)
EXCESS OF REVENUE OVER EXPENSES	\$ 352,992	\$ 301,688

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Statement of Cash Flows

year ended March 31, 2007

	<u>2007</u>	<u>2006</u>
CASH PROVIDED BY (USED FOR):		
OPERATING		
Excess of revenue over expenses	\$ 352,992	\$ 301,688
Items not affecting cash		
Amortization of contributions related to capital assets	(16,810)	(21,156)
Amortization of capital assets	50,808	54,575
	<u>386,990</u>	<u>335,107</u>
Change in non-cash operating working capital items		
Accounts receivable	85,740	19,667,767
Prepaid expenses	(13,923)	16,620
Program advances	(73,372)	-
Accounts payable and accrued liabilities	234,018	78,966
	<u>619,453</u>	<u>20,098,460</u>
INVESTING AND FINANCING		
Purchase of investments	-	(20,000,000)
Investment withdrawals	3,470,141	2,983,520
Acquisition of capital assets	(81,861)	(5,239)
Deferred contributions	(3,398,749)	(2,767,705)
	<u>(10,469)</u>	<u>(19,789,424)</u>
NET CASH INFLOW	608,984	309,036
CASH, BEGINNING OF YEAR	648,655	339,619
CASH, END OF YEAR	<u>\$ 1,257,639</u>	<u>\$ 648,655</u>

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Notes to the Financial Statements

year ended March 31, 2007

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.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Investments

Investments are recorded at amortized cost plus accrued interest. Investments are written down when there has been a loss in value that is other than temporary.

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%

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

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.

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Notes to the Financial Statements

year ended March 31, 2007

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 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 generally accepted accounting principles 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.

3. ACCOUNTS RECEIVABLE

	<u>2007</u>	<u>2006</u>
Restricted contributions receivable	\$ 262,992	\$ 273,974
Canada Revenue Agency (GST)	41,561	31,192
Other	28,483	113,610
	<u>\$ 333,036</u>	<u>\$ 418,776</u>

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS
Notes to the Financial Statements
year ended March 31, 2007

4. 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.

	2007			2006		
	Cost	Market	% of Cost	Cost	Market	% of Cost
Fixed income Canadian	\$ 14,916,795	\$ 14,745,252	92.2	\$ 17,111,494	\$ 16,684,358	87.2
Cash	340,767	340,767	2.1	1,264,376	1,264,376	6.4
Foreign	891,760	865,993	5.7	1,243,593	1,196,893	6.4
Total investments	16,149,322	\$ 15,951,012	100.0	19,619,463	\$ 19,145,627	100.0
Less current unrestricted portion	1,803,334			1,762,249		
Less current restricted portion	3,600,000			4,000,000		
Long-term restricted portion	\$ 10,745,988			\$ 13,857,214		

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS
Notes to the Financial Statements
year ended March 31, 2007

4. INVESTMENTS (Continued)

Determination of market values

Cash and short-term deposits are valued at cost which approximates market value.

Bonds are debt obligations of governments and corporate bodies paying interest at rates appropriate to the market at the date of their purchase. Bonds are recorded at prices based upon published market quotations. They mature at face value on a staggered basis over the next 4 years. Effective interest rates to maturity for these securities range from 2.73% to 10.25% (2006 - 2.25% 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 8).

5. CAPITAL ASSETS

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and fixtures	\$ 358,519	\$ 252,254	\$ 106,265	\$ 119,898
Computer hardware	243,208	176,353	66,855	47,810
Computer software	80,265	52,440	27,825	655
Leasehold improvements	248,414	244,955	3,459	4,988
	\$ 930,406	\$ 726,002	\$ 204,404	\$ 173,351

6. DEFERRED CONTRIBUTIONS

	2007	2006
Balance, beginning of year	\$ 1,714,048	\$ 459,794
Less amounts recognized as revenue in the year	(1,162,363)	(1,037,382)
Funds transferred from (to) Long-Term Fund	(346,667)	1,312,100
Amounts transferred to accounts payable	-	(20,052)
Restricted contributions received during the year	1,610,172	737,965
Increase in restricted contributions receivable	11,335	261,623
Balance, end of year	\$ 1,826,525	\$ 1,714,048

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS
Notes to the Financial Statements
year ended March 31, 2007

7. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS

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

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 82,711	\$ 103,867
Less amounts recognized as revenue in the year	(16,810)	(21,156)
Balance, end of year	<u>\$ 65,901</u>	<u>\$ 82,711</u>

8. LONG-TERM FUND

The Long-Term Fund was created in 2001 from a \$10,000,000 grant from the Department of Foreign Affairs and International Trade (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. The difference between the amount eligible to be drawn-down during the year and the amount recognized as revenue during the year is transferred to the current deferred contributions at year-end, as these contributions are available for use by the Forum in the following years.

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 17,857,214	\$ 21,879,173
Investment income	491,311	626,534
Investment management fees	(2,537)	(48,493)
Funds transferred from (to) short-term deferred contributions	346,667	(1,312,100)
Fund withdrawals recognized as revenue in the year	(4,346,667)	(3,287,900)
Balance, end of year	<u>14,345,988</u>	<u>17,857,214</u>
Less current portion	<u>3,600,000</u>	<u>4,000,000</u>
Long-term portion	<u>\$ 10,745,988</u>	<u>\$ 13,857,214</u>

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS
Notes to the Financial Statements
year ended March 31, 2007

9. CONTINGENT LIABILITY

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

10. COMMITMENTS

The Forum is committed under an operating lease for an office facility that expires June 30, 2009. Annual payments are \$166,968.

11. PENSION CONTRIBUTIONS

The Forum contributes to a defined contribution pension plan for employees. The employer's contributions for the year were \$108,317 (2006 - \$77,669).

12. ECONOMIC DEPENDANCE

During the year, 80% (2006 - 77%) 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>2007</u>	<u>2006</u>
	Consulting/ Honarium Fees	Consulting/ Honarium Fees
A. Kohler	\$ 36,000	\$ 36,000
D. Cameron	29,937	25,595
R. Watts	7,500	7,347
V. Ruiz	3,900	-
R. Wilkins	7,000	-
S. Lakshmi	5,807	-
B. Rae / Goodmans (retired from Board in June 2005)	-	60,061
	<u>\$ 90,144</u>	<u>\$ 129,003</u>

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS
Notes to the Financial Statements
year ended March 31, 2007

13. 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>2007</u>	<u>2006</u>
R. Wilkins	\$ 7,000	\$ -
S. Lakshmi	5,807	-
V. Ruiz	750	-
D. Cameron	200	-
B. Rae / Goodmans (retired from Board in June 2005)	-	22,197
	<u>\$ 13,757</u>	<u>\$ 22,197</u>

14. FINANCIAL INSTRUMENTS

The carrying value of accounts receivable and accounts payable and accrued liabilities approximates their fair value due to the short-term nature of their maturity. The fair value of investments is disclosed in Note 4.

15. COMPARATIVE FIGURES

Certain figures of the previous year have been reclassified in order to conform with the current year's presentation.

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

year ended March 31, 2007

	<u>2007</u>	<u>2006</u>
Consultants	\$ 476,592	\$ 242,324
Distribution costs of publications	87,730	83,624
Grants and honorariums	118,830	320,333
Meeting facilities and hospitality	72,799	32,083
Memberships and subscriptions	3,961	7,469
Office	99,059	17,266
Printing and publications	109,344	106,873
Promotions	70,752	44,013
Salaries and benefits	1,559,308	1,185,889
Support services	639,328	341,758
Telecommunications	50,823	45,843
Translation services	155,263	62,114
Travel	1,027,488	593,031
	<u>\$ 4,471,277</u>	<u>\$ 3,082,620</u>