

FORUM OF FEDERATIONS/ FORUM DES FÉDÉRATIONS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

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, 2014, 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, 2014, 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, CA, Professional Corporation

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

Ottawa, Ontario
September 23, 2014

FORUM OF FEDERATIONS/ FORUM DES FÉDÉRATIONS

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2014

	2014	2013
	\$	\$
REVENUE		
Department of Foreign Affairs and International Trade		
Long term fund	65,500	735,077
Projects	2,951,621	1,195,314
Canadian Contribution	50,000	50,000
Other foreign country contributions	838,241	609,227
Federal Republic of Germany Project	439,726	420,578
Foreign exchange gain	4,116	2,847
Government of Switzerland Project	39,945	54,416
U.S. State Department	279,882	0
Government of Quebec	11,705	3,505
Other Projects	84,132	2,670
Other Income	19,500	11,446
Interest	9,115	17,606
	<u>4,793,483</u>	<u>3,102,686</u>
EXPENSES		
Consultants	92,960	138,590
Leased equipment	2,263	4,234
Memberships and subscriptions	1,898	2,450
Office and general	22,188	46,353
Printing and publications	1,182	3,307
Project expenses (schedule of project expenses)	4,237,184	2,399,032
Professional fees	11,262	7,943
Rent	69,007	117,094
Salaries and employee benefits	254,518	253,960
Telecommunications	28,359	28,969
Translation services	0	7,275
Travel	64,126	40,531
	<u>4,784,947</u>	<u>3,049,738</u>
EXCESS OF REVENUES OVER EXPENSES	<u>8,536</u>	<u>52,948</u>
Amortization - capital assets	(11,877)	(18,335)
Amortization of deferred contributions for capital assets	3,423	4,290
	<u>(8,454)</u>	<u>(14,045)</u>
EXCESS OF REVENUES OVER EXPENSES	<u>82</u>	<u>38,903</u>

(See attached Independent Auditor's 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, 2014

	Unrestricted \$	Invested in Capital Assets \$	Total 2014 \$	Total 2013 \$
NET ASSETS , beginning of year	1,223,285	30,972	1,254,257	1,215,354
Excess of revenues over expenses for the year	8,536	(8,454)	82	38,903
Acquisition of capital assets	<u>(3,492)</u>	<u>3,492</u>	<u>0</u>	<u>0</u>
NET ASSETS , end of year	<u>1,228,329</u>	<u>26,010</u>	<u>1,254,339</u>	<u>1,254,257</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, 2014

	2014	2013
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash	802,518	418,704
Investments (Note 7)	852,780	835,915
Accounts receivable (Note 4)	266,703	352,909
Prepaid expenses (Note 5)	7,330	12,627
Program and travel advances (Note 15)	38,388	74,674
	<u>1,967,719</u>	<u>1,694,829</u>
NON-CURRENT		
Equipment (Note 3)	<u>39,593</u>	<u>47,977</u>
TOTAL ASSETS	<u>2,007,312</u>	<u>1,742,806</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	354,944	96,599
Deferred contributions (Note 8)	<u>384,447</u>	<u>374,945</u>
	<u>739,391</u>	<u>471,544</u>
Deferred contributions for capital assets (Note 9)	<u>13,582</u>	<u>17,005</u>
NET ASSETS		
Invested in capital assets	26,010	30,972
Unrestricted net assets	<u>1,228,329</u>	<u>1,223,285</u>
	<u>1,254,339</u>	<u>1,254,257</u>
TOTAL LIABILITIES AND NET ASSETS	<u>2,007,312</u>	<u>1,742,806</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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2014

	2014	2013
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenditures for the year	82	38,903
Add: amortization	<u>8,454</u>	<u>14,045</u>
	8,536	52,948
Net change in accounts receivable	86,205	(153,500)
Net change in prepaid expenses	5,297	6,725
Net change in accounts payable and accrued liabilities	258,345	(275,521)
Net change in advances	<u>36,286</u>	<u>(31,790)</u>
	<u>394,669</u>	<u>(401,138)</u>
INVESTING ACTIVITIES		
Disposal (purchase) of investments	0	783,700
Acquisition of equipment	<u>(3,492)</u>	<u>(2,724)</u>
	<u>(3,492)</u>	<u>780,976</u>
FINANCING ACTIVITIES		
Deferred contributions	<u>9,502</u>	<u>(1,045,044)</u>
	400,679	(665,206)
CHANGE IN CASH AND EQUIVALENTS	400,679	(665,206)
CASH AND EQUIVALENTS, beginning of year	<u>1,254,619</u>	<u>1,919,825</u>
CASH AND EQUIVALENTS, end of year	<u>1,655,298</u>	<u>1,254,619</u>
REPRESENTED BY:		
Cash	802,518	418,704
Term deposits	<u>852,780</u>	<u>835,915</u>
	<u>1,655,298</u>	<u>1,254,619</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, 2014

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 CICA 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.

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, 2014

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, investments, and accounts receivable.

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

The financial assets measured at fair market value include the investments.

(See attached Independent Auditor's Report)

FORUM OF FEDERATIONS/ FORUM DES FÉDÉRATIONS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

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 2014	Net Book Value 2013
	\$	\$	\$	\$
Vehicles	9,740	(6,399)	3,341	4,772
Furniture and fixtures	47,498	(23,179)	24,319	30,398
Computer hardware	<u>27,628</u>	<u>(15,695)</u>	<u>11,933</u>	<u>12,807</u>
	<u>84,866</u>	<u>(45,273)</u>	<u>39,593</u>	<u>47,977</u>

4. ACCOUNTS RECEIVABLE

	2014	2013
	\$	\$
Restricted contributions receivable	91,521	160,592
Contributions receivable	138,491	103,720
GST/HST recoverable	<u>36,691</u>	<u>88,597</u>
	<u>266,703</u>	<u>352,909</u>

5. PREPAID EXPENSES

Prepaid expenses include a deposit with insurance premiums and rent.

6. ACCOUNTS PAYABLE

	2014	2013
	\$	\$
Trade and accrued liabilities	347,846	90,353
Source deductions payable	<u>7,098</u>	<u>6,246</u>
	<u>354,944</u>	<u>96,599</u>

(See attached Independent Auditor's Report)

FORUM OF FEDERATIONS/ FORUM DES FÉDÉRATIONS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

7. INVESTMENTS

	2014	2013
	\$	\$
Term deposit	<u>852,780</u>	<u>835,915</u>

8. DEFERRED CONTRIBUTIONS

	2014	2013
	\$	\$
Balance, beginning of year	374,945	369,989
Restricted contributions received during the year	3,977,420	2,286,820
Less amounts recognized as revenue in the year	(4,033,620)	(2,377,158)
Increase in restricted contributions receivable	79,874	90,423
Increase (decrease) in contributions receivable	<u>14,172</u>	<u>(4,871)</u>
Balance, end of year	<u>384,447</u>	<u>374,945</u>

9. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS

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

	2014	2013
	\$	\$
Balance, beginning of year	17,005	21,296
Less amounts recognized in the year	(3,423)	(4,291)
Balance, end of year	<u>13,582</u>	<u>17,005</u>

10. 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, 2014.

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, 2014

10. 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 33% of the organization's revenues are in foreign currency. Consequently, some assets are exposed to foreign exchange fluctuations. As at March 31, 2014, cash and accounts receivable balances of \$591,616 and \$228,397 respectively (\$143,576 and \$7,956 in 2013) are shown in other currencies and converted into Canadian dollars.

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, 2014, 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.

11. COMMITMENTS

The Forum is committed under an operating lease for an office facility that expires June 30, 2016. Annual payments are \$69,000.

(See attached Independent Auditor's Report)

FORUM OF FEDERATIONS/ FORUM DES FÉDÉRATIONS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

12. PENSION CONTRIBUTIONS

The Forum contributes to a defined contribution pension plan for employees. The employer's contribution for the year was \$66,147 (2013 - \$ 60,658).

13. RELATED PARTY TRANSACTIONS

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

	2014	2013
	\$	\$
V. Kelkar	0	20,000
J. Poirier	<u>7,650</u>	<u>12,600</u>
	<u><u>7,650</u></u>	<u><u>32,600</u></u>

14. COMPARATIVE FIGURES FOR THE PRIOR YEAR

Certain figures for 2013 have been reclassified to make their presentation identical to that adopted in 2014.

15. 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.

(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, 2014

	2014	2013
	\$	\$
Consultants	1,905,550	662,270
Distribution costs of publications	8,023	11,109
Grants and honorariums	192,166	96,725
Meeting facilities and hospitality	233,637	107,208
Memberships and subscriptions	0	382
Office	52,378	31,786
Printing and publications	75,317	40,781
Rent	23,615	32,463
Salaries and benefits	657,945	712,157
Support services	27,583	43,923
Telecommunications	23,825	43,958
Translation services	81,538	26,674
Travel	955,607	589,596
	<u>4,237,184</u>	<u>2,399,032</u>

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