

Financial Statements of

**FORUM OF FEDERATIONS/
FORUM DES FÉDÉRATIONS**

March 31, 2005



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 financial position of the Forum of Federations/Forum des Fédérations as at March 31, 2005 and the statements of changes in net assets, the statement of revenues and expenses and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Organization'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 Organization as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

May 6, 2005

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Financial Statements
March 31, 2005

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FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Statement of Revenue and Expenses

year ended March 31, 2005

	<u>2005</u>	<u>2004</u>
Revenue		
Department of Foreign Affairs and International Trade		
Long-Term Fund	\$ 4,102,815	\$ 3,975,715
Projects	80,000	35,874
Canadian International Development Agency (CIDA)	329,067	440,383
Government of Switzerland	158,940	-
Consulting and Audit Canada	22,448	-
Gesellschaft fur Technische Zusammenarbeit (GTZ)	-	47,354
Other projects	12,562	28,069
Interest	1,073	2,658
Other income	34,096	9,501
	<u>4,741,001</u>	<u>4,539,554</u>
Expenses		
Advertising and promotion	11,437	204
Consultants	118,128	124,120
Leased equipment	4,945	3,508
Meetings and facilities	78	155
Office and general	77,027	71,177
Printing and publications	431	3,601
Professional fees	23,637	31,059
Projects (Schedule)	3,342,256	3,202,977
Rent	198,816	178,504
Salaries and benefits	791,755	758,585
Telephone and internet	14,039	15,461
Travel	40,251	70,973
	<u>4,622,800</u>	<u>4,460,324</u>
Excess of revenue over expenses before the undernoted	118,201	79,230
Administration costs charged to CIDA projects	-	32,107
Amortization of deferred contributions for capital assets	26,650	36,888
Amortization of capital assets	(109,791)	(137,303)
EXCESS OF REVENUE OVER EXPENSES	\$ 35,060	\$ 10,922

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Statement of Financial Position

as at March 31, 2005

	<u>2005</u>	<u>2004</u>
CURRENT ASSETS		
Cash	\$ 339,619	\$ 531,727
Accounts receivable (Note 3)	20,086,543	197,183
Prepaid expenses	40,563	49,944
Investments (Note 4)	723,810	731,036
Investments - restricted (Note 4)	1,879,173	1,295,000
	23,069,708	2,804,890
CAPITAL ASSETS (Note 5)	222,687	299,779
INVESTMENTS - RESTRICTED (Note 4)	-	4,599,702
	\$ 23,292,395	\$ 7,704,371
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 366,962	\$ 373,797
Deferred contributions (Note 6)	459,794	857,816
Deferred contributions - Long-Term Fund (Note 8)	4,600,000	1,295,000
	5,426,756	2,526,613
DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS (Note 7)	103,867	130,517
DEFERRED CONTRIBUTIONS - LONG-TERM FUND (Note 8)	17,279,173	4,599,702
	22,809,796	7,256,832
CONTINGENT LIABILITY (Note 9)		
NET ASSETS		
Invested in capital assets	118,820	169,262
Unrestricted	363,779	278,277
	482,599	447,539
	\$ 23,292,395	\$ 7,704,371

APPROVED ON BEHALF OF THE BOARD

_____ Chair

_____ Treasurer

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Statement of Changes in Net Assets

year ended March 31, 2005

	Invested in Capital Assets	Unrestricted	<u>2005</u>	<u>2004</u>
BALANCE, BEGINNING OF YEAR	\$ 169,262	\$ 278,277	\$ 447,539	\$ 436,617
Excess (deficiency) of revenue over expenses	(83,141)	118,201	35,060	10,922
Investment in capital assets	32,699	(32,699)	-	-
BALANCE, END OF YEAR	\$ 118,820	\$ 363,779	\$ 482,599	\$ 447,539

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Statement of Cash Flows

year ended March 31, 2005

	<u>2005</u>	<u>2004</u>
CASH PROVIDED BY (USED FOR):		
OPERATING		
Excess of revenue over expenses	\$ 35,060	\$ 10,922
Items not affecting cash		
Amortization of contributions related to capital assets	(26,650)	(36,888)
Amortization of capital assets	109,791	137,303
	118,201	111,337
Change in non-cash operating working capital items		
Accounts receivable	(19,889,360)	459,690
Prepaid expenses	9,381	(24,864)
Accounts payable and accrued liabilities	(6,835)	(220,854)
	(19,768,613)	325,309
INVESTING AND FINANCING		
Proceeds on sale of investments	4,022,755	2,600,757
Acquisition of capital assets	(32,699)	(59,725)
Deferred contributions	15,586,449	(3,019,171)
	19,576,505	(478,139)
NET CASH OUTFLOW	(192,108)	(152,830)
CASH, BEGINNING OF YEAR	531,727	684,557
CASH, END OF YEAR	\$ 339,619	\$ 531,727

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Notes to the Financial Statements

year ended March 31, 2005

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 cost plus accrued interest, which approximates fair market value. Long-term investments are carried at cost and 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. 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.

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Notes to the Financial Statements

year ended March 31, 2005

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.

3. ACCOUNTS RECEIVABLE

	<u>2005</u>	<u>2004</u>
DFAIT Long-Term Fund (Note 8)	\$ 20,000,000	\$ -
Other	86,543	197,183
	<u>\$ 20,086,543</u>	<u>\$ 197,183</u>

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. As at March 31, 2005, investments included Government of Canada Treasury Bills with varying maturity dates up to September 2005 and an average interest rate of 2%.

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.

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, 2005

4. INVESTMENTS (Continued)

Concentration risk (Continued)

	2005		2004	
	Market	%	Market	%
Cash	\$ 14,539	0.6	\$ 2,603	0.1
Government of Canada Bonds	-	-	6,583,275	99.3
Government of Canada Treasury Bills	2,588,444	99.4	39,860	0.6
Total investments	2,602,983	100.0	6,625,738	100.0
Less current unrestricted portion	723,810		731,036	
Less current restricted portion	1,879,173		1,295,000	
Long-term restricted portion	\$ -		\$ 4,599,702	

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

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and fixtures	\$ 345,325	\$ 196,643	\$ 148,682	\$ 181,905
Computer hardware	201,272	136,597	64,675	51,154
Computer software	48,295	45,480	2,815	10,522
Leasehold improvements	248,414	241,899	6,515	56,198
	\$ 843,306	\$ 620,619	\$ 222,687	\$ 299,779

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Notes to the Financial Statements

year ended March 31, 2005

6. DEFERRED CONTRIBUTIONS

	<u>2005</u>	<u>2004</u>
Balance, beginning of year	\$ 857,816	\$ 1,212,741
Less amounts recognized as revenue in the year	(729,822)	(1,241,896)
Restricted contributions received during the year	394,551	1,350,030
Increase (decrease) in restricted contributions receivable	<u>(62,751)</u>	<u>(463,059)</u>
Balance, end of year	<u>\$ 459,794</u>	<u>\$ 857,816</u>

7. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS

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

	<u>2005</u>	<u>2004</u>
Balance, beginning of year	\$ 130,517	\$ 167,405
Less amounts recognized as revenue in the year	<u>(26,650)</u>	<u>(36,888)</u>
Balance, end of year	<u>\$ 103,867</u>	<u>\$ 130,517</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.

	<u>2005</u>	<u>2004</u>
Balance, beginning of year	\$ 5,894,702	\$ 8,558,948
Investment income (loss)	(29,397)	653,009
Investment management fees	(10,132)	(22,255)
Fund withdrawals recognized as revenue in the year	<u>(3,976,000)</u>	<u>(3,295,000)</u>
Grant renewal	<u>20,000,000</u>	<u>-</u>
Balance, end of year	<u>21,879,173</u>	<u>5,894,702</u>
Less current portion	<u>4,600,000</u>	<u>1,295,000</u>
Long-term portion	<u>\$ 17,279,173</u>	<u>\$ 4,599,702</u>

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Notes to the Financial Statements

year ended March 31, 2005

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 operating leases for an office facility and an apartment rental. These leases expire June 30, 2006 and May 31, 2005, respectively. The annual rental payments are approximately as follows:

2006	\$ 167,209
2007	41,280
	<hr/>
	\$ 208,489

11. PENSION CONTRIBUTIONS

The Forum contributes to a defined contribution pension plan for employees. The employer's contributions for the year were \$96,250 (2004 - \$85,776).

12. ECONOMIC DEPENDANCE

During the year, 88% (2004 - 88%) of the Forum's revenue was from DFAIT.

13. RELATED PARTY TRANSACTIONS

Related party transactions with directors during the year ended March 31, 2005 at exchange amounts were as follows:

	<u>Consulting Fees</u>	<u>Honorariums</u>	<u>Total</u>
B. Rae	\$ 107,899	\$ -	\$ 107,899
R. Watts	10,000	-	10,000
N. Haysom	-	2,000	2,000
D. Cameron	-	7,607	7,607
	<hr/>		
	\$ 117,899	\$ 9,607	\$ 127,506

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Notes to the Financial Statements

year ended March 31, 2005

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>2005</u>	<u>2004</u>
B. Rae	\$ 11,358	\$ 73,253
D. Cameron	-	2,675
	<u>\$ 11,358</u>	<u>\$ 75,928</u>

14. FINANCIAL INSTRUMENTS

The carrying value of cash, accounts receivable and accounts payable and accrued liabilities approximates their fair value due to the short-term nature of their maturity.

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, 2005

	<u>2005</u>	<u>2004</u>
Administration costs charged to CIDA projects	\$ -	\$ 32,107
Consultants	300,318	672,369
Distribution costs of publications	82,904	118,530
Grants and honorariums	251,920	100,567
Meeting facilities and hospitality	50,098	18,287
Memberships and subscriptions	5,813	5,905
Office	86,865	34,677
Printing and publications	86,595	189,515
Promotions	242	11,765
Salaries and benefits	1,050,880	990,335
Support services	386,365	82,716
Telecommunications	75,279	54,913
Translation services	95,244	111,362
Travel	869,733	779,929
	\$ 3,342,256	\$ 3,202,977