

**FORUM OF FEDERATIONS / FORUM DES FÉDÉRATIONS**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2017**

**Independent Auditor's Report**  
**Statement of Operations**  
**Statement of Changes in Net Assets**  
**Statement of Financial Position**  
**Schedule of Project Expenses**  
**Statement of Cash Flows**  
**Notes to Financial Statements**



CONNELLY & KOSHY  
PROFESSIONAL CORPORATION  
CHARTERED PROFESSIONAL ACCOUNTANTS

## 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, 2017, 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, 2017, 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  
January 10, 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

SINCE 1968

**FORUM OF FEDERATIONS / FORUM DES FÉDÉRATIONS**

**STATEMENT OF OPERATIONS**

**FOR THE YEAR ENDED MARCH 31, 2017**

	2017	2016
	\$	\$
<b>REVENUE</b>		
Department of Foreign Affairs and International Trade		
Projects	1,888,646	2,820,245
Canadian Contribution	174,494	100,000
Other foreign country contributions	1,090,742	1,313,372
Contribution of excess funds from CANEOM project	11,232	0
Federal Republic of Germany Project	255,225	806,900
Foreign exchange gain	14,119	55,127
Government of Switzerland Project	63,173	236,455
In-kind revenue	9,718	0
Other income	12,288	16,072
Interest	9,875	8,695
	<u>3,529,512</u>	<u>5,356,866</u>
<b>EXPENSES</b>		
Consultants	85,797	60,071
Leased equipment	4,578	2,028
Memberships and subscriptions	8,621	6,953
Office and general overhead	57,833	54,415
Printing and publications	5,613	1,086
Project expenses (schedule of project expenses)	2,721,420	4,494,563
Professional fees	28,948	20,032
Rent	76,976	79,133
Salaries and employee benefits	533,505	476,426
Telecommunications	27,162	31,862
Travel	74,507	52,278
	<u>3,624,960</u>	<u>5,278,847</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<u>(95,448)</u>	<u>78,019</u>
Amortization - capital assets	(7,323)	(7,581)
Amortization of deferred contributions for capital assets	8,669	2,181
	<u>1,346</u>	<u>(5,400)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<u>(94,102)</u>	<u>72,619</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, 2017

	Unrestricted \$	Invested in Capital Assets \$	Total 2017 \$	Total 2016 \$
NET ASSETS, beginning of year	1,414,998	17,106	1,432,104	1,359,485
Excess (deficiency) of revenues over expenses for the year	<u>(95,448)</u>	<u>1,346</u>	<u>(94,102)</u>	<u>72,619</u>
NET ASSETS, end of year	<u>1,319,550</u>	<u>18,452</u>	<u>1,338,002</u>	<u>1,432,104</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, 2017**

	2017	2016
	\$	\$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	1,650,413	2,567,250
Term deposits	881,166	871,287
Accounts receivable (Note 4)	635,119	544,738
Due from related party (Note 14)	17,520	5,724
Prepaid expenses (Note 5)	5,454	8,869
Program and travel advances (Note 13)	<u>276,612</u>	<u>126,652</u>
	<b>3,466,284</b>	<b>4,124,520</b>
<b>NON-CURRENT</b>		
Equipment (Note 3)	<u>18,452</u>	<u>25,775</u>
<b>TOTAL ASSETS</b>	<u><b>3,484,736</b></u>	<u><b>4,150,295</b></u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 6)	250,315	975,137
Deferred contributions (Note 7)	1,896,419	1,734,385
Deferred contributions for capital assets (Note 8)	<u>0</u>	<u>8,669</u>
	<b>2,146,734</b>	<b>2,718,191</b>
<b>NET ASSETS</b>		
Invested in capital assets	18,452	17,106
Unrestricted net assets	<u>1,319,550</u>	<u>1,414,998</u>
	<b>1,338,002</b>	<b>1,432,104</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>3,484,736</b></u>	<u><b>4,150,295</b></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**  
**(A Not for Profit Corporation)**

**SCHEDULE OF PROJECT EXPENSES**

**AS AT MARCH 31, 2017**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Consultants	<b>910,348</b>	1,662,138
Distribution costs of publications	<b>855</b>	1,147
In-kind expenses	<b>11,920</b>	0
Meeting facilities and hospitality	<b>175,688</b>	341,085
Office and general overhead	<b>130,407</b>	130,693
Printing and publications	<b>43,657</b>	44,717
Professional fees	<b>14,452</b>	0
Promotions	<b>2,374</b>	0
Rent	<b>19,400</b>	29,045
Salaries and benefits	<b>575,731</b>	519,111
Support services	<b>80,718</b>	265,128
Telecommunications	<b>15,546</b>	16,975
Translation services	<b>10,923</b>	26,381
Travel	<b>729,401</b>	1,458,143
	<b><u>2,721,420</u></b>	<b><u>4,494,563</u></b>

(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, 2017**

	2017	2016
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses for the year	(94,102)	72,619
Add: Amortization	<u>7,323</u>	<u>7,581</u>
	(86,779)	80,200
Net change in accounts receivable	(90,381)	(206,790)
Net change in prepaid expenses	3,415	6,916
Net change in accounts payable and accrued liabilities	(724,822)	811,618
Net change in amounts due from related parties	(11,796)	328,931
Net change in advances	<u>(149,960)</u>	<u>(6,767)</u>
	<u>(1,060,323)</u>	<u>1,014,108</u>
<b>INVESTING ACTIVITIES</b>		
Acquisition of equipment	<u>0</u>	<u>(3,210)</u>
<b>FINANCING ACTIVITIES</b>		
Deferred contributions	<u>153,365</u>	<u>861,598</u>
<b>CHANGE IN CASH AND EQUIVALENTS</b>	<b>(906,958)</b>	<b>1,872,496</b>
<b>CASH AND EQUIVALENTS, beginning of year</b>	<b><u>3,438,537</u></b>	<b><u>1,566,041</u></b>
<b>CASH AND EQUIVALENTS, end of year</b>	<b><u>2,531,579</u></b>	<b><u>3,438,537</u></b>
<b>REPRESENTED BY:</b>		
Cash	1,650,413	2,567,250
Term deposits	<u>881,166</u>	<u>871,287</u>
	<u>2,531,579</u>	<u>3,438,537</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, 2017

#### 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 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>
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, 2017

### 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, program and travel advances and amounts due from a related party.

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

(See attached Independent Auditor's Report)

**FORUM OF FEDERATIONS / FORUM DES FÉDÉRATIONS**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2017**

**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 2017	Net Book Value 2016
	\$	\$	\$	\$
Vehicles	9,740	(9,740)	0	1,636
Furniture and fixtures	47,498	(35,047)	12,451	15,564
Computer hardware	30,839	(24,838)	6,001	8,575
	<u>88,077</u>	<u>(69,625)</u>	<u>18,452</u>	<u>25,775</u>

The vehicle was disposed of at book value as a result no gain or loss was recognized in the statement of operations.

**4. ACCOUNTS RECEIVABLE**

	2017	2016
	\$	\$
Restricted contributions receivable	240,085	436,755
Contributions receivable	345,726	0
GST/HST recoverable	26,075	107,983
Other receivables	23,233	0
	<u>635,119</u>	<u>544,738</u>

**5. PREPAID EXPENSES**

Prepaid expenses include insurance premiums and postage.

(See attached Independent Auditor's Report)

**FORUM OF FEDERATIONS / FORUM DES FÉDÉRATIONS**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2017**

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2017	2016
	\$	\$
Trade accounts payable and accrued liabilities	250,315	975,137

**7. DEFERRED CONTRIBUTIONS**

	2017	2016
	\$	\$
Balance, beginning of year	1,734,385	870,606
Restricted contributions received during the year	3,365,154	4,637,108
Less amounts recognized as revenue in the year	(3,447,786)	(3,995,566)
Increase (decrease) in restricted contributions receivable	(101,060)	392,944
Increase (decrease) in contributions receivable	<u>345,726</u>	<u>(170,707)</u>
Balance, end of year	<u><u>1,896,419</u></u>	<u><u>1,734,385</u></u>

**8. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS**

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

	2017	2016
	\$	\$
Balance, beginning of year	8,669	10,850
Less amounts recognized in the year	(8,669)	(2,181)
Balance, end of year	<u><u>0</u></u>	<u><u>8,669</u></u>

**9. 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, 2017.

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, 2017

### 9. 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, 2017, cash balances of \$2,694 (\$245,638 in 2016) are foreign currency amounts which were converted into Canadian dollars at the appropriate exchange rate.

#### 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, 2017 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.

### 10. COMMITMENTS

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

The Forum is committed under an operating lease for office equipment that expires December 31, 2017. Annual payments are \$997 (2018 - \$748).

**(See attached Independent Auditor's Report)**

# FORUM OF FEDERATIONS / FORUM DES FÉDÉRATIONS

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED MARCH 31, 2017

#### 11. PENSION CONTRIBUTIONS

The Forum contributes to a defined contribution pension plan for employees. The employer's contribution for the year was \$63,130 (2016 - \$60,750).

#### 12. COMPARATIVE FIGURES FOR THE PRIOR YEAR

Certain figures for 2016 have been reclassified to make their presentation identical to that adopted in 2017.

#### 13. 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.

#### 14. DUE FROM RELATED PARTY

Due from related party includes amounts that were advanced to the Canadian Election Observation Missions (CANEOM), an entity under common control. During the year the organization advanced \$11,796 (2016 - advanced \$328,931) to Canadian Election Observation Missions. Amounts due from related party are interest bearing at variable rates and unsecured, with no specified terms of repayments.

The transactions were carried out in the normal course of operations and are recorded at the exchange value, which is the amount established and agreed to by the related parties.

(See attached Independent Auditor's Report)