

Financial Statements of

**FORUM OF FEDERATIONS/
FORUM DES FÉDÉRATIONS**

March 31, 2011

Independent Auditor's Report

To the Directors of
Forum of Federations/Forum des Fédérations

Report on the Financial Statements

We have audited the accompanying financial statements of the Forum of Federations/Forum des Fédérations (the "Forum"), which comprise the statement of financial position as at March 31, 2011 and the statements of changes in net assets, revenue and expenses 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 generally accepted accounting principles, 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 judgement, 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.

Independent Auditor's Report (Continued)

Auditor's Responsibility (Continued)

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 the Forum as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

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

September 30, 2011

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS
Financial Statements
March 31, 2011

	<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 - 13
Schedule of Project Expenses	14


FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS


Statement of Financial Position

as at March 31, 2011

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash	\$ 1,419,556	\$ 1,338,967
Accounts receivable (Note 4)	272,857	305,328
Investments (Note 5)	773,385	945,966
Investments - restricted (Note 5)	952,671	2,800,000
Prepaid expenses	44,709	31,200
Program and travel advances	425,281	266,348
	3,888,459	5,687,809
CAPITAL ASSETS (Note 6)		
INVESTMENTS (Note 5)	84,333	111,540
	952,671	1,789,429
	\$ 4,925,463	\$ 7,588,778
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 507,922	\$ 832,627
Deferred contributions (Note 7)	1,292,080	997,299
Deferred contributions - Long-Term Fund (Note 9)	952,671	2,800,000
	2,752,673	4,629,926
DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS (Note 8)		
DEFERRED CONTRIBUTIONS - LONG-TERM FUND (Note 9)	26,676	33,425
	952,671	1,789,429
	3,732,020	6,452,780
CONTINGENT LIABILITY (Note 10)		
NET ASSETS		
Invested in capital assets	57,657	78,115
Unrestricted	1,135,786	1,057,883
	1,193,443	1,135,998
	\$ 4,925,463	\$ 7,588,778

APPROVED ON BEHALF OF THE BOARD


Chair


Treasurer

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Statement of Changes in Net Assets

year ended March 31, 2011

	<u>Invested in Capital Assets</u>	<u>Unrestricted</u>	<u>2011</u>	<u>2010</u>
BALANCE, BEGINNING OF YEAR	\$ 78,115	\$ 1,057,883	\$ 1,135,998	\$ 1,020,697
Excess (deficiency) of revenue over expenses	(30,742)	88,187	57,445	115,301
Acquisition of capital assets	10,284	(10,284)	-	-
BALANCE, END OF YEAR	\$ 57,657	\$ 1,135,786	\$ 1,193,443	\$ 1,135,998

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Statement of Revenue and Expenses

year ended March 31, 2011

	<u>2011</u>	<u>2010</u>
Revenue		
Department of Foreign Affairs and International Trade		
Long-Term Fund	\$ 2,716,171	\$ 3,699,210
Projects	969,065	1,522,504
Canadian contribution	48,530	50,790
Other foreign country contributions	318,711	368,433
Federal Republic of Germany	1,929,608	467,482
Government of Switzerland Project	982,690	737,620
Government of the United Kingdom Project	-	346,234
Other projects	68,474	28,300
Interest	2,695	4,382
Other income	32,445	57,572
	<u>7,068,389</u>	<u>7,282,527</u>
Expenses		
Advertising and promotion	1,357	11,486
Consultants	96,504	59,569
Foreign exchange loss	34,164	157,474
Grants and honorariums	-	40,620
Leased equipment	7,055	5,796
Memberships and subscriptions	499	922
Office and general	52,667	86,598
Printing and publications	1,041	1,420
Professional fees	34,737	69,241
Projects (Schedule)	5,936,343	5,837,602
Rent	222,647	207,442
Salaries and benefits	462,854	532,268
Telephone and internet	27,274	24,520
Translation services	98	672
Travel	102,962	90,177
	<u>6,980,202</u>	<u>7,125,807</u>
Excess of revenue over expenses before the undernoted	88,187	156,720
Amortization of deferred contributions for capital assets	6,749	8,471
Amortization of capital assets	(37,491)	(49,890)
EXCESS OF REVENUE OVER EXPENSES	\$ 57,445	\$ 115,301

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Statement of Cash Flows

year ended March 31, 2011

	<u>2011</u>	<u>2010</u>
CASH PROVIDED BY (USED FOR):		
OPERATING		
Excess of revenue over expenses	\$ 57,445	\$ 115,301
Items not affecting cash		
Amortization of deferred contributions for capital assets	(6,749)	(8,471)
Amortization of capital assets	37,491	49,890
	88,187	156,720
Changes in non-cash operating working capital items		
Accounts receivable	32,471	24,144
Prepaid expenses	(13,509)	(16,601)
Program and travel advances	(158,933)	(227,707)
Accounts payable and accrued liabilities	(324,705)	206,894
	(376,489)	143,450
INVESTING		
Investment withdrawals	2,856,668	3,255,746
Acquisition of capital assets	(10,284)	(10,600)
	2,846,384	3,245,146
FINANCING		
Deferred contributions	(2,389,306)	(3,289,199)
NET CASH INFLOW	80,589	99,397
CASH, BEGINNING OF YEAR	1,338,967	1,239,570
CASH, END OF YEAR	\$ 1,419,556	\$ 1,338,967

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Notes to the Financial Statements

year ended March 31, 2011

1. NATURE OF OPERATIONS

The Forum of Federations/Forum des Fédérations (the "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.

The Forum is economically dependent on the Department of Foreign Affairs and International Trade (DFAIT) for its future revenue. The funding agreement with DFAIT has not been renewed (Note 9). The forum is currently reviewing its long-term funding strategy.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Future accounting changes

In 2010, the Canadian Institute of Chartered Accountants (CICA) issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for fiscal years beginning on or after January 1, 2012, not-for-profit organizations may adopt either International Financial Reporting Standards or GAAP for not-for-profit organizations. The Forum currently plans to adopt GAAP for not-for-profit organizations effective April 1, 2012.

Financial instruments

All financial assets are required to be classified as held-for-trading, held-to-maturity, loans and receivables, or as available-for-sale. All financial liabilities are required to be classified as held-for-trading, or as other liabilities.

The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Forum's designation of said instruments and is determined at the time of initial recognition. Settlement date accounting is used and transaction costs related to investments are expensed as incurred. Interest is calculated using the effective interest method.

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Notes to the Financial Statements

year ended March 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Classifications made by the Forum are as follow:

Cash	Held-for-trading
Investments and investments - restricted	Held-to-maturity
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

Held-for-trading

These financial assets are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment revenue.

Held-to-maturity

Held-to-maturity investments are carried at amortized cost using the effective interest method, less any impairment.

Loans and receivables

These financial assets are measured at amortized cost using the effective interest method, less any impairment.

Other liabilities

These financial liabilities are recorded at amortized cost using the effective interest method.

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%
Vehicles	30%

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

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Notes to the Financial Statements

year ended March 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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 GAAP 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.

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Notes to the Financial Statements

year ended March 31, 2011

3. CAPITAL DISCLOSURES

The Forum defines its capital as its deferred contributions and its net assets. The Forum's main objective with respect to capital management is to maintain a sufficient level of capital, thereby ensuring the continuity of the Forum and the ongoing fulfillment of its mission. The Forum has restrictions against its deferred contributions from DFAIT, as described in Note 9. The Forum is not aware of any noncompliance with the restrictions against this agreement.

4. ACCOUNTS RECEIVABLE

	<u>2011</u>	<u>2010</u>
Restricted contributions receivable	\$ 112,088	\$ 204,887
Canada Revenue Agency (GST)	48,772	27,610
Ontario Government (PST)	23,037	-
Other	88,960	72,831
	<u>\$ 272,857</u>	<u>\$ 305,328</u>

5. INVESTMENTS

Investment risk

Investment in financial instruments renders the Forum subject to investment risks. These include the risks arising from changes in interest rates, foreign exchange 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 rate 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.

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS
Notes to the Financial Statements
year ended March 31, 2011

5. INVESTMENTS (Continued)

Determination of fair values

Bonds are debt obligations of governments and corporate bodies paying interest at rates appropriate to the market at the date of their purchase. The fair value of the bonds are based upon published market quotations. They mature at face value in April 2011. Term deposits mature in September 2011 and February 2012 with interest rates of 2.5% and 3.5%. The treasury bill matures on April 14, 2011 with a yield of 0.776%.

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 9).

	2011		
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>% of Cost</u>
Canadian bonds	\$ 541,847	\$ 548,230	20.2
Term deposit	837,328	837,328	31.3
Treasury Bill	1,299,552	1,299,552	48.5
Total investments	2,678,727	<u>\$ 2,685,110</u>	<u>100.0</u>
Less current unrestricted portion	773,385		
Less current restricted portion	<u>952,671</u>		
Long-term unrestricted portion	<u>\$ 952,671</u>		
	2010		
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>% of Cost</u>
Canadian bonds	\$ 4,976,768	\$ 5,036,686	89.9
Term deposit	558,627	558,627	10.1
Total investments	5,535,395	<u>\$ 5,595,313</u>	<u>100.0</u>
Less current unrestricted portion	945,966		
Less current restricted portion	<u>2,800,000</u>		
Long-term restricted portion	<u>\$ 1,789,429</u>		

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Notes to the Financial Statements

year ended March 31, 2011

6. CAPITAL ASSETS

	2011			2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and fixtures	\$ 66,124	\$ 18,346	\$ 47,778	\$ 59,652
Computer hardware	51,979	30,567	21,412	26,848
Computer software	34,063	30,403	3,660	2,410
Vehicles	23,386	13,646	9,740	13,914
Leasehold improvements	56,845	55,102	1,743	8,716
	\$ 232,397	\$ 148,064	\$ 84,333	\$ 111,540

7. DEFERRED CONTRIBUTIONS

	2011	2010
Balance, beginning of year	\$ 997,299	\$ 701,564
Restricted contributions received during the year	4,652,804	3,729,955
Less amounts recognized as revenue in the year	(4,265,224)	(3,470,573)
Increase (decrease) in restricted contributions receivable	(92,799)	36,353
Balance, end of year	\$ 1,292,080	\$ 997,299

8. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS

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

	2011	2010
Balance, beginning of year	\$ 33,425	\$ 41,896
Less amounts recognized as revenue in the year	(6,749)	(8,471)
Balance, end of year	\$ 26,676	\$ 33,425

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Notes to the Financial Statements

year ended March 31, 2011

9. LONG-TERM FUND

The Long-Term Fund was created in 2001 from a \$10,000,000 grant from 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 were based on an agreed upon schedule covering a six-year period. During the year, the Forum received confirmation from DFAIT, that the remaining balance of \$1,905,342 may be used by the Forum in a manner consistent with the agreement. Management has determined that it will be drawn-down over the next two fiscal years.

Since fiscal 2007, the fund withdrawals recognized as revenue in the year can include a component for interest. Interest recognized as revenue this year totals \$NIL (2010 - \$350,000). As at March 31, 2011, the Long-Term Fund contains accumulated interest income of \$362,886 (2010 - \$282,272).

The fund withdrawals also include \$50,000 USD (2011 - \$48,530 CAD, 2010 - \$50,790 CAD) for the Government of Canada's contribution as a member of the Forum.

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 4,589,429	\$ 8,174,363
Investment income	80,614	165,066
Fund withdrawals recognized as revenue in the year	<u>(2,764,701)</u>	<u>(3,750,000)</u>
Balance, end of year	1,905,342	4,589,429
Less current portion	<u>952,671</u>	<u>2,800,000</u>
Long-term portion	<u>\$ 952,671</u>	<u>\$ 1,789,429</u>

10. CONTINGENT LIABILITY

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

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Notes to the Financial Statements

year ended March 31, 2011

11. COMMITMENTS

The Forum is committed under an operating lease for an office facility that expires June 30, 2013. Annual payments are \$123,500.

12. PENSION CONTRIBUTIONS

The Forum contributes to a defined contribution pension plan for employees. The employer's contributions for the year were \$123,177 (2010 - \$122,013).

13. ECONOMIC DEPENDENCE

During the year, 54% (2010 - 74%) of the Forum's revenue was from DFAIT.

14. RELATED PARTY TRANSACTIONS

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

	<u>2011</u>	<u>2010</u>
	Consulting/ Honorary Fees	Consulting/ Honorary Fees
V. Kelkar	\$ 30,000	\$ 10,000
W. Linder	10,400	1,000
R. Watts	4,400	-
V. Ruiz	750	2,000
A. Koller	-	30,000
J. Poirier	-	7,500
	<u>\$ 45,550</u>	<u>\$ 50,500</u>

FORUM OF FEDERATIONS/FORUM DES FÉDÉRATIONS

Notes to the Financial Statements

year ended March 31, 2011

14. 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>2011</u>	<u>2010</u>
A. Koller	\$ -	\$ 10,000
V. Kelkar	-	10,000
J. Poirier	-	7,500
V. Ruiz	-	2,000
W. Linder	-	1,000
	<u>\$ -</u>	<u>\$ 30,500</u>

15. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

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

year ended March 31, 2011

	<u>2011</u>	<u>2010</u>
Consultants	\$ 1,195,536	\$ 968,085
Distribution costs of publications	83,500	65,001
Grants and honorariums	268,664	350,632
Meeting facilities and hospitality	172,919	184,252
Memberships and subscriptions	3,131	3,736
Office	153,460	258,080
Printing and publications	195,724	169,903
Professional fees	28,933	48,317
Promotions	-	5,130
Rent	138,206	121,696
Salaries and benefits	1,794,555	1,841,135
Support services	249,554	278,218
Telecommunications	82,578	90,907
Translation services	70,523	137,049
Travel	1,499,060	1,315,461
	<u>\$ 5,936,343</u>	<u>\$ 5,837,602</u>