

**Canadian Foundation for
Governance Research
Financial Statements
For the year ended June 30, 2016**

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Financial Statements**
For the year ended June 30, 2016

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Independent Auditor's Report

To the Member of
Canadian Foundation for Governance Research

We have audited the accompanying financial statements of Canadian Foundation for Governance Research, which comprise the statement of financial position as at June 30, 2016, and the statements of operations and changes in fund balances 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 Canadian Foundation for Governance Research as at June 30, 2016, 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

October 19, 2016
Toronto, Ontario

Canadian Foundation for Governance Research Statement of Financial Position

June 30, 2016

	Operating Fund	Research Awards Fund	Endow- ment Fund	Total	
				2016	2015
Assets					
Current					
Cash and cash equivalents (Note 2)	\$ 82,880	\$ 66,759	\$ -	\$ 149,639	\$ 239,508
Endowment receivables	-	-	-	-	2,500
Due (to) from funds (Note 4)	(84,832)	210,849	(126,017)	-	-
HST and other receivables	103,523	-	-	103,523	1,692
Prepaid expenses	-	500	-	500	-
	101,571	278,108	(126,017)	253,662	243,700
Long-term investments (Note 3)	567,968	162,360	838,968	1,569,296	1,397,616
	\$ 669,539	\$ 440,468	\$ 712,951	\$ 1,822,958	\$ 1,641,316
Liabilities and Fund Balances					
Current					
Accounts payable and accrued liabilities (Note 6)	\$ 108,998	\$ -	\$ -	\$ 108,998	\$ 9,997
Deferred contributions (Note 5)	-	223,526	-	223,526	188,974
	108,998	223,526	-	332,524	198,971
Fund balances					
Externally restricted (Note 7)	-	216,942	712,951	929,893	874,946
Unrestricted	560,541	-	-	560,541	567,399
	560,541	216,942	712,951	1,490,434	1,442,345
	\$ 669,539	\$ 440,468	\$ 712,951	\$ 1,822,958	\$ 1,641,316

On behalf of the Board:

_____ Director

_____ Director

Canadian Foundation for Governance Research Statement of Operations and Changes in Fund Balances

For the year ended June 30, 2016

	Operating Fund	Research Awards Fund	Endow- ment Fund	Total	
				2016	2015
Revenues					
Sponsorship (Note 6)	\$ 105,700	\$ -	\$ -	\$ 105,700	\$ 100,000
Investment income (Note 8)	52,590	38,645	-	91,235	66,343
Unrealized losses on investments	(10,612)	-	-	(10,612)	(3,648)
	147,678	38,645	-	186,323	162,695
Expenses					
Bank service charges	484	-	-	484	502
Board and committee meetings	84	-	-	84	-
Custodian fees	3,566	-	-	3,566	3,659
Foreign exchange loss (gain)	(4,142)	-	-	(4,142)	1,372
Grants support (Note 6)	100,000	-	-	100,000	100,000
HST expense	792	-	-	792	774
Marketing	720	-	-	720	720
Office expenses	85	-	-	85	-
Professional fees	8,000	-	-	8,000	8,500
Research awards	-	38,645	-	38,645	35,308
	109,589	38,645	-	148,234	150,835
Excess of revenues over expenses for the year	38,089	-	-	38,089	11,860
Fund balances, beginning of year	567,399	171,995	702,951	1,442,345	1,420,485
Endowment contributions (Note 7)	-	-	10,000	10,000	10,000
Interfund transfers (Note 7)	(44,947)	44,947	-	-	-
Fund balances, end of year	\$ 560,541	\$ 216,942	\$ 712,951	\$ 1,490,434	\$ 1,442,345

The accompanying notes are an integral part of these financial statements.

Canadian Foundation for Governance Research Statement of Cash Flows

For the year ended June 30	2016	2015
Cash was provided by (used in)		
Operating activities		
Excess of revenues over expenses for the year	\$ 38,089	\$ 11,860
Adjustments to reconcile excess to net cash provided by operating activities:		
Unrealized losses on investments	10,612	3,648
Gain on disposal of investments	(73,715)	(23,094)
Changes in non-cash working capital balances		
Endowment receivables	2,500	3,500
HST and other receivables	(101,831)	524
Prepaid expenses	(500)	-
Accounts payable and accrued liabilities	99,001	(2,003)
Deferred contributions	25,635	10,187
	<u>(209)</u>	<u>4,622</u>
Investing activities		
Purchase of investments	(643,832)	(37,618)
Proceeds on disposition of investments	544,172	52,937
	<u>(99,660)</u>	<u>15,319</u>
Financing activities		
Endowment contributions	10,000	10,000
	<u>10,000</u>	<u>10,000</u>
Increase (decrease) in cash and cash equivalents during the year	(89,869)	29,941
Cash and cash equivalents, beginning of year	239,508	209,567
Cash and cash equivalents, end of year	\$ 149,639	\$ 239,508
Supplementary cash flow information:		
Unrealized gains (losses) on investments included in deferred contributions	\$ 8,917	\$ (7,225)

Canadian Foundation for Governance Research Notes to Financial Statements

June 30, 2016

1. Significant Accounting Policies

(a) Nature and Purpose of Operations

The Canadian Foundation for Governance Research (the "Foundation") is incorporated under the Canada Corporations Act as a public foundation and is exempt from income taxes under Section 149(1)(l) of the Income Tax Act. Accordingly, there is no provision for income taxes in these financial statements. The Foundation has a mission to support research in corporate governance through the Robert Bertram Doctoral Research Awards and other activities to meet its objectives.

(b) Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

(c) Fund Accounting

Revenues and expenses related to operating activities are reported in the Operating Fund.

Revenues and expenses related to the Robert Bertram Doctoral Research Awards are reported in the Research Awards Fund.

Endowment contributions are reported in the Endowment Fund. Investment income earned on resources of the Endowment Fund is externally restricted and is reported in the Research Awards Fund.

(d) Cash and Cash Equivalents

Cash and cash equivalents consists of cash on hand and investments in money market instruments which are cashable or have original maturities of three months or less.

(e) Capital Assets

Capital assets are recorded as expenses in the year acquired.

(f) Donated Services

Due to the difficulty in determining the fair value of donated services provided to the Foundation, donated services have not been recognized in the financial statements.

Canadian Foundation for Governance Research

Notes to Financial Statements

June 30, 2016

1. Significant Accounting Policies - (Continued)

(g) Financial Instruments

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market and fixed income instruments are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized costs less impairment, if applicable, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry its investments at fair value, with gains and losses reported in operations in the operating fund and in deferred contributions in the research award fund. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at cost or amortized cost.

(h) Revenue Recognition

The Foundation follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenue in the Operating Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the Research Awards Fund in the year in which the related expenses are recognized or the period to which the restriction relates.

Endowment contributions are reported as direct increases in the Endowment Fund in the current period.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

(i) Foreign Exchange

Foreign currency accounts are translated to Canadian dollars as follows:

At the transaction date, each asset, liability, revenue or expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses for operating fund are included in operations in the current period and for Endowment and Research Awards fund are included in deferred contributions.

(j) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from management's best estimates as additional information becomes available in the future.

Canadian Foundation for Governance Research Notes to Financial Statements

June 30, 2016

2. Cash and Cash Equivalents

Included in cash and cash equivalents is \$96,568 (2015 - \$182,068) of money market funds bearing interest of 1.0% (2015 - 1.2%) per annum.

3. Investments

Investments represent investments in equities in accordance with the Foundation's investment policy.

4. Due (to) from Funds

Due (to) from funds balances are non-interest bearing and have no specific terms of repayment.

5. Deferred Contributions

Deferred contributions relate to the unspent portion of investment income externally restricted for the Robert Bertram Doctoral Research Awards.

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 188,974	\$ 186,012
Amounts deferred and restricted for research awards		
Investment income earned (Note 8)	64,280	45,495
Unrealized gain (loss) on investments	8,917	(7,225)
Amounts disbursed for research awards	<u>(38,645)</u>	<u>(35,308)</u>
Balance, end of year	<u>\$ 223,526</u>	<u>\$ 188,974</u>

6. Related Party Transactions

During the year, the Foundation received a donation of \$5,700 (2015 - \$nil) to the operating fund from the Institute of Corporate Directors ("ICD"), a not-for-profit organization that is the sole member of the Foundation. The Foundation donated \$100,000 (2015 - \$100,000) to ICD for support of the not-for-profit program (NFP).

Accounts payable and accrued liabilities includes \$100,000 (2015 - \$nil) payable to the ICD. The amount is non-interest bearing and due on demand.

During the year, the ICD provided management services which included bookkeeping and office space to the Foundation, the value of which cannot be reasonably estimated and therefore has not been reflected in the accounts of the Foundation.

Canadian Foundation for Governance Research

Notes to Financial Statements

June 30, 2016

7. Endowment Fund and Externally Restricted Research Awards Fund

The Foundation receives endowment contributions for which the investment income will be used to support research on governance through the Robert Bertram Doctoral Research Awards (the "Bertram Awards"). In 2016, the Foundation received an endowment contribution in the amount of \$10,000 (2015 - \$10,000).

The Foundation has agreed to support the Bertram Awards by contributing an amount equal to the investment income earned on the Endowment Fund to the Research Awards Fund. During the year, the Foundation transferred \$44,947 (2015 - \$33,618) between the Operating Fund and the Research Awards Fund for this purpose.

8. Investment Income

Investment income includes interest, dividends and realized and unrealized gains/losses incurred/received in the year and is summarized as follows:

	<u>2016</u>	<u>2015</u>
Income earned on unrestricted resources	\$ 52,590	\$ 31,035
Income earned on resources held for endowment and restricted for research awards (Note 7)	44,947	33,618
Income earned on resources held and restricted for research awards	<u>19,333</u>	<u>11,877</u>
	116,870	76,530
Less: Amounts deferred and restricted for research awards (Note 5)	(64,280)	(45,495)
Add: Amounts recognized from deferred revenue for disbursed research awards	<u>38,645</u>	<u>35,308</u>
Total investment income recognized as revenue	<u>\$ 91,235</u>	<u>\$ 66,343</u>

9. Financial Instrument Risk Exposure and Management

In common with other organizations, the Foundation is exposed to risks that arise from its use of financial instruments. This note describes the Foundation's objectives, policies and processes for managing those risks and the methods used to measure them.

There have been no substantive changes in the Foundation's exposure to financial instrument risks, its objectives, policies and processes for managing these risks or the methods used to measure them from previous periods unless otherwise stated in these financial statements. Management has established policies and procedures to manage risks related to financial instruments, with the objective of minimizing any adverse effects on financial performance.

Canadian Foundation for Governance Research

Notes to Financial Statements

June 30, 2016

9. Financial Instrument Risk Exposure and Management - (Continued)

However, in management's opinion the Foundation is not exposed to significant credit risk, market risk and liquidity risk arising from its financial instruments. A brief description of management's assessments of these risks is as follows:

(a) General Objectives, Policies and Processes

The Board and management are responsible for the determination of the Foundation's risk management objectives and policies and designing operating processes that ensure the effective implementation of the objectives and policies. In general, the Foundation measures and monitors risk through the preparation and review of monthly financial reports by management and quarterly financial reports by the Board.

(b) Credit Risk

Financial instruments potentially exposed to credit risk include cash and cash equivalents, investments, HST and other receivables, due from funds and endowment receivables. Management considers its exposure to credit risk over cash and cash equivalents and investments to be remote as the Foundation holds cash deposits, money market funds and investments at a reputable financial institution in Canada. Endowment receivables include funding from donors through the Endowment Fund contributions. The Foundation monitors the funding received and ensures the amounts are in accordance with the Endowment Fund agreement.

(c) Investment Management Risk

Risk management relates to the understanding and active management of risk associated with all areas of the business and the associated operating environment. Investments are primarily exposed to market, interest and currency risk. The Foundation mitigates these risks with an investment policy which establishes target asset mix and diversification of investments within investment categories and set limits on exposure of individual investments. The Foundation's investment policy includes a mix of cash, fixed income and equities.

(d) Market and Interest Risk

The risk associated with the investments are the risk associated with the securities in which the funds are invested. The value of equity securities changes with the stock market conditions, which are affected by general economic and market conditions and the developments within the specific companies which issue the securities. The value of money markets or fixed income securities will generally rise if interest rates fall and fall if interest rates rise. The Foundation's investment policy is to invest in a mix of cash, fixed income and equities and is predominately invested in equity securities. Based on the investment policy, the Foundation has invested in companies that have strong performance, are stable and well known in diverse industries. The investment policy is designed to limit exposure and concentration while achieving optimal return within reasonable risk tolerances. The Foundation is in compliance with that policy as at June 30, 2016.

Canadian Foundation for Governance Research Notes to Financial Statements

June 30, 2016

9. Financial Instrument Risk Exposure and Management - (Continued)

(e) 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. The Foundation transacts in foreign currencies which results in exposure to foreign currency fluctuations as the Foundation does not use derivative instruments to mitigate foreign exchange risk. The Foundation is exposed to this risk through its cash and cash equivalents and investments. Included in cash and cash equivalents and investments are approximately \$30,594 (2015 - \$16,942) and \$344,047 (2015 - \$330,206) respectively of foreign currency amounts denominated in USD.

(f) Liquidity Risk

Liquidity risk is the risk the Foundation will not be able to meet its financial obligations as they fall due. The Foundation's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when due by maintaining sufficient cash levels, enabled by the collection of contributions, and investing a portion of the investments in cashable money market funds.

10. Research Award

During the year, the Foundation selected one recipient for the Robert Bertram Doctoral Research Awards committing a total of \$15,000 which has been disbursed subsequent to year end. The funding agreement was signed by the University of the recipient which will administer the funds to the recipient.