

**Canadian Foundation for  
Governance Research  
(formerly The ICD Corporate  
Governance College)  
Financial Statements  
For the year ended June 30, 2010**

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## Auditors' Report

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**To the Member of  
Canadian Foundation for Governance Research  
(formerly The ICD Corporate Governance College)**

We have audited the statement of financial position of Canadian Foundation for Governance Research (formerly The ICD Corporate Governance College) as at June 30, 2010 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Foundation'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 Foundation as at June 30, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*BDO Canada LLP*

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario  
August 17, 2010

**Canadian Foundation for Governance Research  
(formerly The ICD Corporate Governance College)  
Statement of Financial Position**

**June 30, 2010**

	Operating Fund	Reserve Fund	Research Awards Fund	Endow- ment Fund	Total	
					2010	2009
<b>Assets</b>						
<b>Current</b>						
Cash	\$ 79,681	\$ 1,006	\$ 6,485	\$ 1,963	\$ 89,135	\$ 98,898
Short-term investments (Note 2)	116,783	34,065	7,509	36,538	194,895	1,003,061
Endowment receivables Due (to) from funds (Note 3)	-	-	-	52,676	52,676	88,690
GST and other receivables	(37,469)	-	35,239	2,230	-	-
	1,523	-	-	-	1,523	7,813
	160,518	35,071	49,233	93,407	338,229	1,198,462
Long-term investments (Note 2)	427,735	35,608	-	509,951	973,294	-
	\$ 588,253	\$ 70,679	\$ 49,233	\$ 603,358	\$ 1,311,523	\$ 1,198,462

**Liabilities and Net Assets**

<b>Current</b>						
Accounts payable and accrued liabilities	\$ 12,535	\$ -	\$ -	\$ -	\$ 12,535	\$ 15,962
Deferred contributions (Note 4)	-	-	24,621	-	24,621	1,609
Due to Institute of Corporate Directors (Note 5)	1,015	-	-	-	1,015	775
	13,550	-	24,621	-	38,171	18,346

**Fund Balances**

Externally restricted (Note 6)	-	-	24,612	603,358	627,970	525,137
Internally restricted (Note 7)	-	70,679	-	-	70,679	-
Unrestricted	574,703	-	-	-	574,703	654,979
	574,703	70,679	24,612	603,358	1,273,352	1,180,116
	\$ 588,253	\$ 70,679	\$ 49,233	\$ 603,358	\$ 1,311,523	\$ 1,198,462

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**Canadian Foundation for Governance Research  
(formerly The ICD Corporate Governance College)  
Statement of Operations and  
Changes in Fund Balances**

**For the year ended June 30, 2010**

	Operating Fund	Reserve Fund	Research Awards Fund	Endow- ment Fund	Total	
					2010	2009
<b>Revenues</b>						
Tuition fees - Directors' Education Program	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500
Investment income (Note 8)	25,098	679	-	-	25,777	13,148
Contributions (Note 5)	50,000	-	-	-	50,000	-
	<b>75,098</b>	<b>679</b>	<b>-</b>	<b>-</b>	<b>75,777</b>	<b>13,648</b>
<b>Expenses</b>						
Bank service charges	1,382	-	-	-	1,382	3,738
Custodian fees	27,500	-	-	-	27,500	4,583
GST expense	1,523	-	-	-	1,523	666
Marketing	2,856	-	-	-	2,856	776
Office expenses	1,065	-	-	-	1,065	108
Professional fees	28,045	-	-	-	28,045	17,738
	<b>62,371</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62,371</b>	<b>27,609</b>
<b>Excess (deficiency) of revenues over expenses for the year</b>	<b>12,727</b>	<b>679</b>	<b>-</b>	<b>-</b>	<b>13,406</b>	<b>(13,961)</b>
<b>Fund balances, beginning of year</b>	<b>654,979</b>	<b>-</b>	<b>1,609</b>	<b>523,528</b>	<b>1,180,116</b>	<b>670,549</b>
<b>Endowment contributions (Note 6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>79,830</b>	<b>79,830</b>	<b>523,528</b>
<b>Interfund transfers (Note 6 and 7)</b>	<b>(93,003)</b>	<b>70,000</b>	<b>23,003</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 574,703</b>	<b>\$ 70,679</b>	<b>\$ 24,612</b>	<b>\$ 603,358</b>	<b>\$ 1,273,352</b>	<b>\$ 1,180,116</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**Canadian Foundation for Governance Research  
(formerly The ICD Corporate Governance College)  
Statement of Cash Flows**

<b>For the year ended June 30</b>	<b>2010</b>	<b>2009</b>
<b>Cash was provided by (used in)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenues over expenses for the year	\$ 13,406	\$ (13,961)
Adjustments to reconcile excess (deficiency) to net cash provided by operating activities		
Changes in non-cash working capital balances		
Endowment receivables	36,014	(86,440)
GST and other receivables	6,290	12,219
Accounts payable and accrued liabilities	(3,427)	962
Deferred contributions	23,012	1,609
Due to Institute of Corporate Directors	240	(55,398)
	<u>75,535</u>	<u>(141,009)</u>
<b>Investing activities</b>		
Purchase of investments	(2,378,840)	(2,183,077)
Disposition of investments	2,213,712	1,180,016
	<u>(165,128)</u>	<u>(1,003,061)</u>
<b>Financing activities</b>		
Endowment contributions	79,830	523,528
	<u>79,830</u>	<u>523,528</u>
<b>Decrease in cash during the year</b>	<b>(9,763)</b>	<b>(620,542)</b>
<b>Cash, beginning of year</b>	<b>98,898</b>	<b>719,440</b>
<b>Cash, end of year</b>	<b>\$ 89,135</b>	<b>\$ 98,898</b>

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# **Canadian Foundation for Governance Research (formerly The ICD Corporate Governance College) Summary of Significant Accounting Policies**

**June 30, 2010**

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## **Nature of Operations**

On July 1, 2009, the organization received consent to redesignate its status from a charitable organization to a public foundation and changed its name from The ICD Corporate Governance College to the Canadian Foundation for Governance Research (the "Foundation").

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. As a registered charity, the Foundation is entitled to recover 50% of the GST paid on expenses incurred. The Foundation has a mission to support research in corporate governance which is accomplished through funding of qualified donees and investments into commissioned research and other activities to meet its objects.

## **Fund Accounting**

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

Revenue and expenses related to the internally restricted reserves are reported in the Reserve 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.

## **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.

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**Canadian Foundation for Governance Research  
(formerly The ICD Corporate Governance College)  
Summary of Significant Accounting Policies**

**June 30, 2010**

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**Investments**

Investments are classified as held-for-trading and are recorded at fair value. Realized and unrealized gains (losses) are recorded in the statement of operations and changes in net fund balances.

The Foundation accounts for its investments on a settlement date basis and transaction costs associated with investment activities are expensed as incurred.

**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.

**Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates 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.

**Financial Instruments**

The Foundation classified all of its financial instruments as follows:

- (a) Cash and investments as held-for-trading. Held-for-trading items are carried at fair value, with changes in their fair value recognized in the Statement of Operations in the current period.
- (b) Endowment receivables, due from operating fund and GST and other receivables as loans and receivables. Loans and receivables are carried at amortized cost, using the effective interest method, net of any impairment.
- (c) Accounts payable and accrued liabilities, payable to research awards fund, payable to the endowment fund and due to Institute of Corporate Directors as other financial liabilities. Other financial liabilities are carried at amortized cost, using the effective interest method.

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**Canadian Foundation for Governance Research  
(formerly The ICD Corporate Governance College)  
Notes to Financial Statements**

**June 30, 2010**

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**1. Change in Accounting Policies**

Recent accounting pronouncements adopted by the Foundation are as follows:

**Financial Statement Concepts**

Effective July 1, 2009, the Foundation adopted amended CICA Handbook Section 1000, Financial Statement Concepts. The amendment focuses on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

**Cash Flow Statements**

Effective July 1, 2009, the Foundation adopted amended Section 1540, Cash Flow Statements. The amendment includes not-for-profit organizations within its scope.

**Financial Statement Presentation by Not-for-Profit Organizations**

Effective July 1, 2009, the Foundation adopted amended Section 4400, Financial Statement Presentation by Not-for-Profit Organizations. The amendment focuses on the treatment of net assets invested in capital assets and the presentation of revenues and expenses.

**Capital Assets Held by Not-for-Profit Organizations**

Effective July 1, 2009, the Foundation adopted amended Section 4430, Capital Assets Held by Not-for-Profit Organizations. The amendment provides additional guidance with respect to the appropriate use of the exemption from recognizing capital assets for smaller entities.

**Disclosure of Related Party Transactions by Not-for-Profit Organizations**

Effective July 1, 2009, the Foundation adopted amended Section 4460, Disclosure of Related Party Transactions by Not-for-Profit Organizations. The amendment focuses on making the language in Section 4460 consistent with Related Party Transactions, Section 3840.

**Disclosure of Allocated Expenses by Not-for-Profit Organizations**

Effective July 1, 2009, the Foundation adopted Section 4470, Disclosure of Allocated Expenses by Not-for-Profit Organizations. This new section establishes disclosure standards for Not-for-Profit Organizations that choose to classify their expenses by function and allocate expenses from one function to another.

The adoption of the above sections had no effect on the Foundation's financial statement presentation or disclosures.



**Canadian Foundation for Governance Research  
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Notes to Financial Statements**

**June 30, 2010**

**2. Investments**

	2010	2009
Money market funds	\$ 194,895	\$ 1,003,061
Fixed income		
Government and corporate bonds, bearing interest at 2.2% to 5.15% per annum, maturing March 2014 to December 2015	386,314	-
Government and corporate bond funds	430,255	-
Equities	156,725	-
	1,168,189	1,003,061
Classified as short-term investments	194,895	1,003,061
Classified as long-term investments	\$ 973,294	\$ -

Short-term investments represent money market funds. These investments are tradable at any time and, accordingly, have been classified as a short-term investment. These funds will be used to fund short-term obligations of the Foundation.

Long-term investments represent investments in corporate and government bonds, bond funds and equities in accordance with the Foundation's investment policy. These funds have been classified as long-term due to the internally and externally restricted use of the funds.

**3. Interfund Balances**

Interfund balances are non-interest bearing and have no specific terms of repayment.

**4. Deferred Contributions**

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

	2010	2009
Balance, beginning of year	\$ 1,609	\$ -
Amounts deferred and restricted for research awards (Note 8)	23,012	1,609
Balance, end of year	\$ 24,621	\$ 1,609

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**Canadian Foundation for Governance Research  
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Notes to Financial Statements**

**June 30, 2010**

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**5. Related Party Transactions**

During the year, the Foundation received an unrestricted contribution of \$50,000 (2009 - \$nil) from the Institute of Corporate Directors ("ICD"), a not-for-profit organization that is the sole member of the Foundation.

The amount payable to the ICD on June 30, 2010 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 has not been reflected in the accounts of the Foundation.

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**6. 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").

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 \$23,003 (2009 - \$1,609) between the Operating Fund and the Research Awards Fund for this purpose.

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**7. Internally Restricted Reserve Fund**

During the year, the Board of Directors approved the establishment of the reserve fund and the transfer of \$70,000 to this fund which shall not exceed \$100,000. The purpose of the fund is to:

- Provide emergency funds to meet unforeseen budget shortfalls attributable to economic downturns or other significant events and in particular, to allow research granting activities of the Foundation to continue in such circumstances;
- Provide seed money for new initiatives or programs that are important to the mission of the Foundation but cannot be funded initially from operating cash flows; or
- Provide special funds for other challenges and opportunities approved by the Board of Directors.

Investment income will be reinvested in the reserve fund and any reductions in the reserve fund must be approved by the Board of Directors.

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**Canadian Foundation for Governance Research  
(formerly The ICD Corporate Governance College)  
Notes to Financial Statements**

**June 30, 2010**

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**8. Investment Income**

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

	2010	2009
Income on unrestricted resources	\$ 25,777	\$ 13,148
Income earned on resources held for endowment and restricted for research awards	23,003	1,609
Income earned on resources held and restricted for research awards	9	-
	48,789	14,757
Less amounts deferred and restricted for research awards	(23,012)	(1,609)
Total investment income recognized as revenue	\$ 25,777	\$ 13,148

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**9. Capital Management**

The Foundation considers its capital to be comprised of its fund balances, which include externally restricted, internally restricted and unrestricted fund balances. Endowment Fund contributions must be maintained indefinitely and investment income earned thereon is restricted for the Bertram Awards. The Reserve Fund is internally restricted and any reductions in the reserve fund must be approved by the Board of Directors.

The Foundation's objectives when managing capital are to match the structure of its capital to the underlying nature and term of the underlying operating objectives (specifically general operating costs), and to hold sufficient funds to enable it to withstand negative unexpected financial events, in order to maintain stability in the financial structure. The Foundation seeks to maintain sufficient liquidity to enable it to meet its obligations as they come due.

There were no changes to the Foundation's approach to capital management during the year ended June 30, 2010.

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**10. 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.

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**Canadian Foundation for Governance Research  
(formerly The ICD Corporate Governance College)  
Notes to Financial Statements**

**June 30, 2010**

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**10. Financial Instrument Risk Exposure and Management - (Continued)**

However, in management's opinion the Foundation is not exposed to significant credit risk, interest rate risk or 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 reports by management and quarterly reports by the Board.

(b) Credit Risk

Financial instruments potentially exposed to credit risk include cash, investments and accounts receivable. Management considers its exposure to credit risk over cash and investments to be remote as the Foundation holds cash deposits and investments at two major Canadian banks. Accounts receivable includes 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) Interest Rate Risk

The Foundation invests surplus cash in various investments, in accordance with its investment policy. The Foundation is in compliance with that policy as at June 30, 2010. Interest rate risk arises from fluctuations in interest rates which depends on prevailing rates at renewal. To manage interest rate exposure, the Foundation invests in a combination of cash, fixed income securities and Canadian equities which are managed by professional money managers and monitored by the investment committee.

(d) 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 investment in short-term securities.

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**11. Commitment**

The Foundation has committed to provide annual expendable funds to cover a minimum of two Robert Bertram Doctoral Research Awards per year from calendar 2009 to 2011. The annual awards range between \$10,000 and \$15,000. The Board approved three recipients of the Bertram Awards to be awarded a total of \$42,500 in grants, which will be disbursed subsequent to year end.