

**Canadian Foundation for
Governance Research
Financial Statements
For the year ended June 30, 2011**

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Financial Statements
For the year ended June 30, 2011**

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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, 2011, 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 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 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, 2011, 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

October 13, 2011
Toronto, Ontario

Canadian Foundation for Governance Research Statement of Financial Position

June 30, 2011

	Operating Fund	Reserve Fund	Research Awards Fund	Endow- ment Fund	Total	
					2011	2010
Assets						
Current						
Cash and cash equivalents (Note 1)	\$ 44,936	\$ 35,472	\$ 29,220	\$ 44,776	\$ 154,404	\$ 284,030
Endowment receivables	-	-	-	35,333	35,333	52,676
Due (to) from funds (Note 3)	(50,924)	-	51,390	(466)	-	-
HST and other receivables	6,861	-	-	-	6,861	1,523
Due from Institute of Corporate Directors (Note 5)	750	-	-	-	750	-
	1,623	35,472	80,610	79,643	197,348	338,229
Long-term investments (Note 2)	494,598	37,455	-	594,369	1,126,422	973,294
	\$ 496,221	\$ 72,927	\$ 80,610	\$ 674,012	\$ 1,323,770	\$ 1,311,523

Liabilities and Fund Balances

Current						
Accounts payable and accrued liabilities	\$ 15,589	\$ -	\$ -	\$ -	\$ 15,589	\$ 12,535
Deferred contributions (Note 4)	-	-	19,142	-	19,142	24,621
Due to Institute of Corporate Directors (Note 5)	-	-	-	-	-	1,015
	15,589	-	19,142	-	34,731	38,171

Fund Balances

Externally restricted (Note 6)	-	-	61,468	674,012	735,480	627,970
Internally restricted (Note 7)	-	72,927	-	-	72,927	70,679
Unrestricted	480,632	-	-	-	480,632	574,703
	480,632	72,927	61,468	674,012	1,289,039	1,273,352
	\$ 496,221	\$ 72,927	\$ 80,610	\$ 674,012	\$ 1,323,770	\$ 1,311,523

On behalf of the Board:

_____ Director

_____ Director

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

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

For the year ended June 30, 2011

	Operating	Reserve	Research	Endow-	Total	
	Fund	Fund	Awards	ment	2011	2010
			Fund	Fund		
Revenues						
Investment income (Note 8)	\$ 28,417	\$ 2,248	\$ 42,500	\$ -	\$ 73,165	\$ 25,777
Contributions (Note 5)	-	-	-	-	-	50,000
	28,417	2,248	42,500	-	73,165	75,777
Expenses						
Bank service charges	1,236	-	-	-	1,236	1,382
Commissioned research	38,700	-	-	-	38,700	-
Custodian fees	27,500	-	-	-	27,500	27,500
HST/GST expense	2,985	-	-	-	2,985	1,523
Marketing	100	-	-	-	100	2,856
Office expenses	111	-	-	-	111	1,065
Professional fees	15,000	-	-	-	15,000	28,045
Research awards	-	-	42,500	-	42,500	-
	85,632	-	42,500	-	128,132	62,371
Excess (deficiency) of revenues over expenses for the year	(57,215)	2,248	-	-	(54,967)	13,406
Fund balances, beginning of year	574,703	70,679	24,612	603,358	1,273,352	1,180,116
Endowment contributions (Note 6)	-	-	-	70,654	70,654	79,830
Interfund transfers (Note 6)	(36,856)	-	36,856	-	-	-
Fund balances, end of year	\$ 480,632	\$ 72,927	\$ 61,468	\$ 674,012	\$ 1,289,039	\$ 1,273,352

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

Canadian Foundation for Governance Research Statement of Cash Flows

For the year ended June 30	2011	2010
Cash was provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenses for the year	\$ (54,967)	\$ 13,406
Adjustments to reconcile excess (deficiency) to net cash provided by operating activities		
Changes in non-cash working capital balances		
Endowment receivables	17,343	36,014
HST and other receivables	(5,338)	6,290
Accounts payable and accrued liabilities	3,054	(3,427)
Deferred contributions	(5,479)	23,012
Due to/from Institute of Corporate Directors	(1,765)	240
	<u>(47,152)</u>	<u>75,535</u>
Investing activities		
Purchase of investments	(187,805)	(1,935,117)
Disposition of investments	34,677	961,823
	<u>(153,128)</u>	<u>(973,294)</u>
Financing activities		
Endowment contributions	70,654	79,830
	<u>(129,626)</u>	<u>(817,929)</u>
Decrease in cash and cash equivalents during the year	(129,626)	(817,929)
Cash and cash equivalents, beginning of year	284,030	1,101,959
Cash and cash equivalents, end of year	\$ 154,404	\$ 284,030

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

Canadian Foundation for Governance Research Summary of Significant Accounting Policies

June 30, 2011

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. The Foundation has a mission to support research in corporate governance through the Robert Bertram Doctoral Research Awards 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.

Canadian Foundation for Governance Research Summary of Significant Accounting Policies

June 30, 2011

Cash and Cash Equivalents	Cash and cash equivalents consists of cash on hand and investments with original maturities of three months or less.
Investments	<p>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.</p> <p>The Foundation accounts for its investments on a settlement date basis and transaction costs associated with investment activities are expensed as incurred.</p>
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	<p>The Foundation classified all of its financial instruments as follows:</p> <ul style="list-style-type: none">(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 (to) from funds, due from the Institute of Corporate Directors and HST 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, and due to Institute of Corporate Directors as other financial liabilities. Other financial liabilities are carried at amortized cost, using the effective interest method.

Canadian Foundation for Governance Research Notes to Financial Statements

June 30, 2011

1. Cash and Cash Equivalents

Included in cash and cash equivalents is \$119,500 (2010 - \$194,895) of money market funds bearing interest of 1.31% (2010 - 0.64%) per annum.

2. Investments

	2011	2010
Fixed income		
Government and corporate bonds, bearing interest at 2.2% to 5.15% per annum, maturing June 2013 to December 2016	\$ 388,793	\$ 386,314
Government and corporate bond funds, earning an average return of 3.5% to 4.9% per annum with an average maturity of 4.1 to 4.3 years	508,461	430,255
Equities	229,168	156,725
	\$ 1,126,422	\$ 973,294

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.

	2011	2010
Balance, beginning of year	\$ 24,621	\$ 1,609
Amounts deferred and restricted for research awards (Note 8)	37,021	23,012
Amounts disbursed for research awards	(42,500)	-
Balance, end of year	\$ 19,142	\$ 24,621

Canadian Foundation for Governance Research Notes to Financial Statements

June 30, 2011

5. Related Party Transactions

During the year, the Foundation received an endowment contribution of \$3,750 (2010 - unrestricted contribution of \$50,000) from the Institute of Corporate Directors ("ICD"), a not-for-profit organization that is the sole member of the Foundation.

The amount receivable from the ICD of \$750 on June 30, 2011 (2010 - payable of \$1,015) 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.

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 \$36,856 (2010 - \$23,003) between the Operating Fund and the Research Awards Fund for this purpose.

7. Internally Restricted Reserve Fund

During fiscal 2010, 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.

Canadian Foundation for Governance Research Notes to Financial Statements

June 30, 2011

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:

	<u>2011</u>	<u>2010</u>
Income earned on unrestricted resources	\$ 30,665	\$ 25,777
Income earned on resources held for endowment and restricted for research awards	36,856	23,003
Income earned on resources held and restricted for research awards	<u>165</u>	<u>9</u>
	67,686	48,789
Less: Amounts deferred and restricted for research awards	(37,021)	(23,012)
Add: Amounts recognized from deferred revenue from disbursed research awards	<u>42,500</u>	<u>-</u>
Total investment income recognized as revenue	<u>\$ 73,165</u>	<u>\$ 25,777</u>

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, 2011.

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.

Canadian Foundation for Governance Research

Notes to Financial Statements

June 30, 2011

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

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.

However, in management's opinion the Foundation is not exposed to significant credit risk, market 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) 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 interest rate and market 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.

Market and Interest Rate 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. The value of securities will vary with developments within the specific companies or governments which issue the securities. The value of fixed income securities will generally rise if interest rates fall and fall if interest rates rise. To manage market and interest rate exposure, the Foundation invests surplus cash in various investments, in accordance with its investment policy which 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, 2011.

Canadian Foundation for Governance Research Notes to Financial Statements

June 30, 2011

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

(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.

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 \$45,000 in grants, which were disbursed subsequent to year end.

12. Comparative Figures

Certain prior year figures have been reclassified to conform with current year presentation.