

**Canadian Foundation for
Governance Research
Financial Statements
For the year ended June 30, 2012**

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For the year ended June 30, 2012**

Contents

Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	3
Statement of Operations and Changes in Fund Balances	4
Statement of Cash Flows	5
Summary of Significant Accounting Policies	6-7
Notes to Financial Statements	8-11



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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, 2012, 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, 2012, 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 10, 2012
Toronto, Ontario

Canadian Foundation for Governance Research Statement of Financial Position

June 30, 2012

	Operating Fund	Research Awards Fund	Endow- ment Fund	Total	
				2012	2011
Assets					
Current					
Cash and cash equivalents (Note 1)	\$ 124,973	\$ 29,220	\$ 134,787	\$ 288,980	\$ 154,404
Endowment receivables	-	-	17,500	17,500	35,333
Due (to) from funds (Note 3)	(54,575)	58,769	(4,194)	-	-
HST and other receivables	3,380	-	-	3,380	6,861
Due from Institute of Corporate Directors (Note 5)	-	-	-	-	750
	73,778	87,989	148,093	309,860	197,348
Long-term investments (Note 2)	447,238	-	547,258	994,496	1,126,422
	\$ 521,016	\$ 87,989	\$ 695,351	\$ 1,304,356	\$ 1,323,770
Liabilities and Fund Balances					
Current					
Accounts payable and accrued liabilities	\$ 11,232	\$ -	\$ -	\$ 11,232	\$ 15,589
Deferred contributions (Note 4)	-	4,942	-	4,942	19,142
	11,232	4,942	-	16,174	34,731
Fund Balances					
Externally restricted (Note 6)	-	83,047	695,351	778,398	735,480
Internally restricted (Note 7)	-	-	-	-	72,927
Unrestricted	509,784	-	-	509,784	480,632
	509,784	83,047	695,351	1,288,182	1,289,039
	\$ 521,016	\$ 87,989	\$ 695,351	\$ 1,304,356	\$ 1,323,770

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, 2012

	Operating Fund	Reserve Fund	Research Awards Fund	Endow- ment Fund	Total	
					2012	2011
Revenues						
Investment income (Note 8)	\$ 18,101	\$ -	\$ 48,279	\$ -	\$ 66,380	\$ 73,165
Expenses						
Bank service charges	1,463	-	-	-	1,463	1,236
Commissioned research	-	-	-	-	-	38,700
Custodian fees	8,683	-	-	-	8,683	27,500
Foreign exchange loss	2,072	-	-	-	2,072	-
HST expense	1,470	-	-	-	1,470	2,985
Marketing	16,579	-	-	-	16,579	100
Office expenses	30	-	-	-	30	111
Professional fees	10,000	-	-	-	10,000	15,000
Research awards	-	-	48,279	-	48,279	42,500
	40,297	-	48,279	-	88,576	128,132
Excess (deficiency) of revenues over expenses for the year	(22,196)	-	-	-	(22,196)	(54,967)
Fund balances, beginning of year	480,632	72,927	61,468	674,012	1,289,039	1,273,352
Endowment contributions (Note 6)	-	-	-	21,339	21,339	70,654
Interfund transfers (Notes 6 and 7)	51,348	(72,927)	21,579	-	-	-
Fund balances, end of year	\$ 509,784	\$ -	\$ 83,047	\$ 695,351	\$ 1,288,182	\$ 1,289,039

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	2012	2011
Cash was provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenses for the year	\$ (22,196)	\$ (54,967)
Adjustments to reconcile excess (deficiency) to net cash provided by operating activities		
Unrealized (gain) loss on investments	15,107	(8,142)
Gain on disposal of investments	(29,025)	-
Changes in non-cash working capital balances		
Endowment receivables	17,833	17,343
HST and other receivables	3,481	(5,338)
Accounts payable and accrued liabilities	(4,357)	3,054
Deferred contributions	(14,200)	(5,479)
Due to/from Institute of Corporate Directors	750	(1,765)
	(32,607)	(55,294)
Investing activities		
Purchase of investments	(862,041)	(187,805)
Disposition of investments	1,007,885	42,819
	145,844	(144,986)
Financing activities		
Endowment contributions	21,339	70,654
Increase (decrease) in cash and cash equivalents during the year	134,576	(129,626)
Cash and cash equivalents, beginning of year	154,404	284,030
Cash and cash equivalents, end of year	\$ 288,980	\$ 154,404

Canadian Foundation for Governance Research Summary of Significant Accounting Policies

June 30, 2012

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 objectives.

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. During the year, this fund was transferred to the Operating Fund (Note 7).

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, 2012

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.
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>
Capital Assets	Capital assets are recorded as expenses in the year acquired. The cost of capital assets held by the Foundation includes software of \$11,900 (2011 - \$nil) expensed to marketing expenses in the Statement of Operations.
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 cash equivalents 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, 2012

1. Cash and Cash Equivalents

Included in cash and cash equivalents is \$267,429 (2011 - \$119,500) of money market funds bearing interest of 1.33% (2011 - 1.31%) per annum.

2. Investments

	2012	2011
Fixed income		
Government and corporate bonds, bearing interest at 2.2% to 5.15% per annum, maturing June 2013 to December 2016	\$ -	\$ 388,793
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
Equities	994,496	229,168
	\$ 994,496	\$ 1,126,422

Long-term investments represent investments in 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.

	2012	2011
Balance, beginning of year	\$ 19,142	\$ 24,621
Amounts deferred and restricted for research awards		
Investment income earned (Note 8)	21,579	37,021
Contribution	12,500	-
Amounts disbursed for research awards	(48,279)	(42,500)
Balance, end of year	\$ 4,942	\$ 19,142

Canadian Foundation for Governance Research Notes to Financial Statements

June 30, 2012

5. Related Party Transactions

During the year, the Foundation received an endowment contribution of \$600 (2011 - \$3,750) 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 \$nil on June 30, 2012 (2011 - \$750) 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 \$21,579 (2011 - \$36,856) between the Operating Fund and the Research Awards Fund for this purpose.

7. Internally Restricted Reserve Fund

During the year, the Board of Directors approved the transfer of the internally restricted Reserve Fund to the Operating Fund.

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:

	2012	2011
Income earned on unrestricted resources	\$ 18,101	\$ 30,665
Income earned on resources held for endowment and restricted for research awards	21,579	36,856
Income earned on resources held and restricted for research awards	-	165
	39,680	67,686
Less: Amounts deferred and restricted for research awards	(21,579)	(37,021)
Add: Amounts recognized from deferred revenue from disbursed research awards	48,279	42,500
	\$ 66,380	\$ 73,165
Total investment income recognized as revenue		

Canadian Foundation for Governance Research Notes to Financial Statements

June 30, 2012

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 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, 2012.

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.

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 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 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.

Canadian Foundation for Governance Research

Notes to Financial Statements

June 30, 2012

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

(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. During the year, the Foundation transitioned their investment policy to be exclusively in equity securities. This change was made with the approval of the Board of Directors.

Market and Interest Rate Risk

The risk associated with the investments relates to 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 fixed income securities will generally rise if interest rates fall and fall if interest rates rise. During the year, the investment policy was revised to invest exclusively in equity securities in companies that have a history of strong performance, are stable and well known in diverse industries, 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, 2012.

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 \$3,486 (2011 - \$nil) and \$204,233 (2011 - \$nil) respectively of foreign currency amounts denominated in USD.

(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 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.