

CANADIAN RACE RELATIONS FOUNDATION

UNAUDITED INTERIM FINANCIAL STATEMENTS

First quarter, of fiscal year 2012-2013, ended June 30, 2012

UNAUDITED INTERIM FINANCIAL STATEMENTS

First quarter, ended June 30, 2012

Table of Contents

Financial Management Discussion and Analysis	3
Statement of Management Responsibility	8
Unaudited Interim Financial Statements	9
Statement of Financial Position	
Statement of Operations	
Statement of Remeasurement Gain and Losses	
Statement of Net Assets	
Statement of Cash Flows	
Notes to Unaudited Interim Financial Statements	14

Financial Management Discussion and Analysis

First quarter of fiscal year 2012-2013, ended June 30, 2012

The following sections should be read in conjunction with the Foundation's unaudited interim financial statement for the first quarter, ended June 30, 2012, and the related notes which have been prepared in accordance with the Treasury Board of Canada Standards on Quarterly Financial Reports of Crown Corporations. We also recommend that this information be read in conjunction with the Foundation's annual financial statements and FMDA for the year ended March 31, 2012.

Statement of Financial Position Discussion

	2012 June 30	2012 March 31	Changes	
	\$	\$	\$	%
Assets				
Cash	1,086,926	393,368	693,557	176
Investments	22,667,245	24,074,986	(1,407,741)	(6)
Prepaid expenses, other receivables and inventories	194,492	186,928	7,565	4
Capital assets and intangible assets	44,463	47,509	(3,047)	(6)
Total Assets	23,993,125	24,702,791	(709,666)	(3)
Liabilities and Net Assets				
Accounts payable and accrued liabilities	15,948	36,769	(20,821)	(57)
Salaries and employees future benefits payable	15,313	34,493	(19,180)	(56)
Deferred contributions and deferred revenues	186,799	216,294	(29,494)	(14)
Obligation under capital lease	6,311	6,962	(651)	(9)
Net assets	23,768,753	24,408,273	(639,520)	(3)
Total Liabilities and Net Assets	23,993,125	24,702,791	(709,666)	(3)

Assets

Cash is composed of cash at banks, cash balances held by the Foundation's investment manager, and cash for "the Diversity and Equity Leadership Institute (DELI) for Ontario School System Leaders" project in a restricted bank account. Total cash increased \$693,557 from March 31, 2012 primarily due to unspent cash in the investments manager's accounts and advanced contribution from Ontario Ministry of Education for the "DELI" project of \$165,000.

Investments have decrease 6% compared to the investment value at March 31, 2012. This is mainly due to the decrease in fair value of the Foundation's investments. For the quarter ended June 30, 2012, the combined portfolio returned -2.11 % or loss of \$477,757 (March 31, 2012, 2.04% or gain of \$491,016) after all fees, realized losses on sale of investments of \$679,480, and realized losses on foreign exchange of \$658,247. The return rate excluding the remeasurement gains is -4.3% or loss of \$1,047, 037.

Prepaid expenses, receivables and inventories are mainly prepaid expenses, trade accounts receivable, refunds of Federal Government's Goods and Services Tax (GST), Ontario Government's Harmonized Sales Tax (HST), and the cost of inventories of the Foundation's publications. For the quarter ended June 30, 2012 prepaid expenses, other receivables and inventories increased \$7, 565 compared to March 31, 2012.

The **Capital assets** are the net book value of office furniture and equipment, computer hardware and software, and artwork. The net decrease of \$3,047 in the capital assets in the quarter ended June 30, 2012 is for the cost of the amortization of all assets.

Liabilities

Accounts payable and accrued liabilities represent amounts payable to suppliers at the quarter end expense accruals. There is a decrease in accounts payable and accrued liabilities of \$20,821 at the quarter ended June 30, 2012. This is the net result of a decrease of \$17,493 in accounts payable and a decrease of \$3,328 in accrued expenses.

Salaries and employees future benefits payable are vacation and severance pay accruals owed to employees. It is made up of vacation accruals in current liabilities of \$15,313. There is a decrease in salaries payable of \$19,180 in the quarter ended June 30, 2012 compared to March 31, 2012. This is due to a severance payment to one employee in this quarter.

Deferred contributions and deferred revenues is made up of unspent balance of contributions received by the Foundation for the "DELI" project from the Ontario Ministry of Education of \$148,837, subscriptions received in advance of \$1,188, and education and training center fund of \$34,615. There is a decrease of \$29,494 in the quarter ended June 30, 2012 for deferred contributions and deferred revenues compared to March 31, 2012. This is mainly due to a decrease in the advanced contributions from the projects of \$28,662.

Obligation under capital lease is the balance of capital repayment owed for the office equipment under lease of \$6,311. This is for the printer/copier lease which started at the end of 2009-10. The \$651 decrease represents the current quarter lease obligation payment.

Net Assets decreased 3% in the quarter ended June 30, 2012 (March 31, 2012, 1% decrease) mainly due to the deficiency of revenues over expenses of \$1,210,801 for the quarter ended June 30, 2012, offset by remeasurement gain on investments portfolio of \$571,278.

Statement of Operations Discussion

	2012 June 30	2011 June 30	Changes	
	\$	\$	\$	%
Revenues				
Funded projects	39,352	6,663	32,689	491
Workshops	19,000	-	19,000	n/a
Publications	962	-	962	n/a
Sponsorships, donations, contributions, honoraria and fundraising gala	200	2,000	(1,800)	(90)
Total Revenues	59,514	8,663	50,851	587
Net investment gain (loss)				
Investment income earned	(369,557)	235,665	(605,222)	(257)
Changes in fair value - realized	(679,480)	(28,467)	(651,013)	2,287
Net investment gain	(1,049,037)	207,198	(1,256,235)	(606)

Revenues from **Funded projects** represent payments received by the Foundation from the Department of Citizenship and Immigration Canada for “the Interfaith and Belonging” project of \$23,189 and from the Ontario Ministry of Education for “the Diversity and Equity Leadership Institute (DELI) for Ontario School System Leaders” project of \$16,163.

Revenues from **Workshops** represent fees received by the Foundation for conducting education and training sessions. There were no workshops in June 30, 2011.

Revenues from **Publications** are sale proceeds of publications and subscriptions for *DIRECTIONS*.

Revenues from **Sponsorships, donations and contributions, honoraria and fundraising gala** relate to honoraria received from public speaking engagements, donations and revenues from sponsorships and fundraising gala.

Net investment income loss: The Foundation’s primary source of income is derived from the investment income earned on the investment of the original contribution of \$24 million. Investment income earned includes interest, realized gains (losses) on sale of investments, dividends, distributions from pooled fund units, gain/loss on foreign exchange net after portfolio management fees. The losses of investment for the quarter ended June 30, 2012 is \$ 1,049,037 compared to the gain of \$207,198 in June 30, 2011. These losses is combined of realized loss

on foreign exchange of \$568,247 and realized loss on sales of investments of \$671,480 offset by net interest and dividend incomes of \$288,690.

Changes in fair value of investments include realized loss on sales of investments of \$671,480 compared with realized loss of \$28,467 in June 30, 2011, an increase of \$651,013. This is mainly due to the continued instability in the global equity markets in 2012 and re-positioning of the CRRF's investment portfolio.

The unrealized gains attributed to investments measured at fair value and unrealized gains attributed to foreign exchange are recognized in the Statement of Remeasurement Gains and Losses. Unrealized changes in fair value of the investments in the quarter ended June 30, 2012 were \$571,280 gain compared to a loss of \$236,264 in June 30, 2011 (March 31, 2012 \$379,099 loss).

	2012 June 30	2011 June 30	Changes	
Expenses	\$	\$	\$	%
Salaries and benefits	104,298	125,056	(20,758)	(17)%
Funded projects	52,152	5,113	47,039	920%
Rent	44,231	43,514	718	2%
Office and general, conference, symposium and others	12,674	12,075	599	5%
Communication	3,414	3,502	-88	(3)%
Professional fees	2,579	4,417	(1,838)	(42)%
Award of Excellence symposium and fundraising gala	1,278	-	1,278	n/a
Board of Directors honoraria and travel	650	19,990	(19,340)	(97)%
Total Expenses	221,278	213,667	7,610	4%

The Foundation's total expenses were \$221,278 for the quarter ended in June 30, 2012 with the three main uses of funds being salaries and benefits, funded projects and rent expenses, totaling \$104,298, \$52,152 and 44,231 respectively.

There was \$20,758 decrease in **Salaries and benefits** expenses compared to June 30, 2011, mainly due to the allocation of the staff times to the funded projects of \$20,171. During this quarter. One employee were on the long term disability leave during this quarter.

Rent expense for the office space increased by \$718 due to the annual rent increase.

Office and general, conference, symposium and others expenses increased by \$599. There were no significant changes to these expenses in this quarter.

Communications are public and media relations expenses. There were no significant changes to these expenses in this quarter.

Professional fees are for legal, accounting and corporate services fees. There were no significant changes to these expenses in this quarter.

The Award of Excellence symposium and gala is an event held every other year. There will be an event in October 2012 in Halifax, Nova Scotia.

Honoraria and expenses for the **Board of Directors** have decreased by \$19,340. There were no Directors' face to face meetings in this quarter.

Outlook for the Second, third and fourth quarters

Fiscal Year 2012-2013

The Canadian Race Relations Foundation continues to fund most of its operations through the investment income. In the next three quarters the Foundation will continue the implementation of "the Interfaith and Belonging" project, funded by the Department of Citizenship and Immigration Canada. The Foundation will also continue the delivery of Phase II of the "Diversity and Equity Leadership Institute for Ontario School System Leaders" project, funded by the Ontario Ministry of Education, which will be delivered in nine different locations in Ontario.

In October 2012 the Foundation will hold the Award of Excellence & symposium in Halifax, Nova Scotia. This is the eight anniversary of the program to recognize achievement and Best Practices in equity and anti-racism. The symposium will be followed by a meeting of the Foundation's Board of Directors.


The Foundation has an approved operating revenues budget of \$1,325,000 and expenditures budget of \$1,411,000 for 2012-13. The approved budget for the year is closely monitored by senior management and the Board of Directors. We review and monitor budget variance reports on regular basis. Adjustments are made as required, and expenditures are consistent with the approved budget and are according to Board resolutions and guidelines of the Treasury Board. Quarterly financial statements and related notes are also prepared in accordance with the Treasury Board standards and are posted in the Foundation website.

The Foundation's programs and activities are designed in accordance with the Foundations' Strategic Plan for 2011 to 2014. A key component in the Plan is the development and implementation of the Foundation's role as a clearing house. We are committed to the strengthening of strategic alliances with sister Crown corporations, federal and provincial government departments and agencies, community groups, and relevant sectors of Canadian society. Our outlook for the 2012-2013 fiscal year is premised on cooperation with our partners and stakeholders with the objective of fulfilling the Foundation's business plan and priorities.

Statement of Management Responsibility

Management is responsible for the preparation and fair presentation of these quarterly financial statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations, and for such internal controls as management determines is necessary to enable the preparation of quarterly financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly financial statements.

Based on our knowledge, these **unaudited** quarterly financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the quarterly financial statements.



Ayman Al-Yassini
Senior Executive Vice President

June 30, 2012



Arsalan Tavassoli MA, CGA
Finance and Administration Director

June 30, 2012

CANADIAN RACE RELATIONS FOUNDATION
UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS
Statement of Financial Position
First quarter of fiscal year 2012-2013, ended June 30, 2012

	2012 June 30	2012 March 31
	\$	\$
Assets		
Current Assets		
Cash	1,086,926	393,368
Prepaid expenses	8,181	7,361
Receivable and inventories (note 3)	186,311	179,567
Investments (note 4)	736,472	292,926
	2,017,890	873,222
Investments (note 4)	21,930,773	23,782,060
Capital assets (note 7)	44,463	47,509
	23,993,125	24,702,791
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	15,948	36,769
Accrued salaries	15,313	21,652
Deferred contribution and deferred revenues (note 9)	186,799	216,294
	218,060	274,715
Obligation under capital lease (note 8)	6,311	6,962
Employees future benefits (note 10)	-	12,841
	224,372	294,518
Net assets:		
Unrestricted	(461,580)	746,825
Invested in capital assets (note 14)	38,151	40,547
Accumulated remeasurement gains	192,181	(379,099)
Restricted for endowment purposes (note 11)	24,000,000	24,000,000
	23,768,753	24,408,273
	23,993,125	24,702,791

Contractual obligations (note 13)

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

CANADIAN RACE RELATIONS FOUNDATION
UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS
Statement of Operations
First quarter of fiscal year 2012-2013, ended June 30, 2012

	Three months ended	
	2012 June 30	2011 June 30
Revenues	\$	\$
Funded projects	39,352	6,663
Workshops	19,000	-
Publications & Misc. revenue	962	-
Sponsorships, donations and contributions, honoraria and fundraising gala	200	2000
	59,514	8,663
Expenses (note 18)		
Programs expenses	109,705	124,807
Funded projects	52,152	5,113
Administration expense	42,239	47,177
Operating expenses	12,737	14,864
AoE symposium and fundraising gala	1,278	-
Conferences, symposia and consultations	895	677
Staff recruitment and development	826	806
Finance cost	68	233
Information systems and development	728	-
Board of Directors meetings	650	19,990
	221,278	213,667
Deficiency of revenues over expenses before net investment gain	(161,765)	(205,004)
Net investment income gain (loss) (note 13)	(1,049,037)	207,198
Excess of revenues (deficiency) over expenses	(1,210,801)	2,194

CANADIAN RACE RELATIONS FOUNDATION
UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS
Statement of Remeasurement Gains and Losses
First quarter of fiscal year 2012-2013, ended June 30, 2012

	Three months ended	
	June 30, 2012	March 31, 2012
	\$	\$
Accumulated Remeasurement gains, beginning of the quarter	(379,099)	-
Unrealized gains (losses) attributed to investment portfolio	537,610	(469,504)
Unrealized gains attributed to foreign exchange	33,670	90,405
Accumulated Remeasurement gains, end of quarter	192,181	(379,099)

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

CANADIAN RACE RELATIONS FOUNDATION
UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS
Statement of Changes in Net Assets
First quarter of fiscal year 2012-2013, ended June 30, 2012

June 30, 2012	Unrestricted	Invested in capital assets	Accumulated remeasurement gains (losses)	Endowment	June 30, 2012
	\$	\$	\$	\$	\$
	Net assets, beginning of year	746,825	40,547	(379,099)	24,000,000
Deficiency of revenues over expenses	(1,210,801)		-		(1,210,801)
Remeasurement gains			571,280		571,280
Net changes in invested in capital assets (note 14)	2,396	(2,396)	-		-
Net assets, end of the quarter	(461,580)	38,151	192,181	24,000,000	23,768,752
March 31, 2012	Unrestricted	Invested in capital assets	Accumulated remeasurement gains (losses)	Endowment	March 31, 2012
	\$	\$	\$	\$	\$
	Net assets, beginning of year	685,339	26,127	-	24,000,000
Excess of revenues over expenses	75,906		-		75,906
Remeasurement gains			(379,099)		(379,099)
Net changes in invested in capital assets (note 14)	(14,420)	14,420			-
Net assets, end of year	746,825	40,547	(379,099)	24,000,000	24,408,273

The accompanying notes are an integral part of the financial statement.

CANADIAN RACE RELATIONS FOUNDATION
UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS
Statement of Cash Flows
First quarter of fiscal year 2012-2013, ended June 30, 2012

	Three months ended	
	2012 June 30	2011 June 30
	\$	\$
Operating activities:		
Excess (deficiency) of revenues over expenses	(1,210,801)	2,194
Items not affecting cash:		
Amortization	3,047	1,486
Realized gain (loss) on foreign exchange	658,247	-
Realized gains on sales of investments and changes in fair value of investments (note 13)	679,480	28,467
	129,973	32,148
Changes in non-cash operating assets and liabilities:		
(Increase) decrease in prepaid expenses	(820)	(5,428)
(Increase) in receivables and inventories	(6,746)	1,113
Increase (decrease) in accounts payable and accrued liabilities, accrued salaries and employees future benefits	(40,001)	(832)
Increase (decrease) in deferred contributions and deferred revenues	(29,494)	(5,113)
Net cash used in operating activities	52,912	21,888
Capital activities:		
Addition to capital assets	-	-
Repayment of capital lease obligations	(651)	(651)
Net cash used in capital activities	(651)	(23,932)
Investing activities:		
Proceeds from sale of investments	32,339,382	1,394,455
Purchase of investments	(31,698,085)	(1,550,888)
Net cash provided by investing activities	641,297	(156,433)
Increase in cash	693,558	(158,478)
Cash, beginning of the quarter	393,368	206,836
Cash, end of the quarter	1,086,926	48,358

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

THE CANADIAN RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

First quarter, ended June 30, 2012

The interim unaudited financial statements should be read in conjunction with the March 31, 2012 audited financial statements of the Canadian Race Relations Foundation published in the 2011-2012 annual report and with the narrative discussion included in this quarterly financial report.

1. Description of organization:

The Canadian Race Relations Foundation (“the Foundation”) was established by way of federal government legislation (Bill C-63 “The Canadian Race Relations Foundation Act”, 1991).

The purpose of the Foundation is to facilitate, throughout Canada, the development, sharing and application of knowledge and expertise in order to contribute to the elimination of racism and all forms of racial discrimination in Canadian society.

The Foundation’s Education and Training Centre develops and delivers diversity, equity, and human rights education and training within an anti-racism framework.

The Foundation is a registered charity under the Income Tax Act and, as such, is not subject to income tax.

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations. The significant accounting policies of the Foundation are as follows:

(a) Basis of presentation:

The Foundation has prepared the financial statements applying the Section 4200 series of Canadian public sector accounting standards applicable to government not-for-profit organizations.

The Foundation applies the deferral method of accounting for contributions for not-for-profit organizations.

(b) Revenue recognition:

(i) Donations and contributions:

Donations and contributions are comprised of contributions received from non-government entities that are not part of the federal government reporting entity, such as individuals and foundations.

Unrestricted donations and contributions are recognized as revenue on the Statement of Operations when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Donations and contributions externally restricted for specific purposes are deferred on the Statement of Financial Position and recognized as revenue on the Statement of Operations in the period in which the related expenditures are recognized. Restricted investment

THE CANADIAN RACE RELATIONS FOUNDATION
SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS
First quarter, ended June 30, 2012

income from invested donations and contributions, if any, is recognized as income in the Statement of Operations in the year that the related expenditures are recognized.

Endowment is a restricted contribution subject to externally imposed stipulations specifying that the resources contributed are to be maintained permanently as specified.

(ii) Net investment income:

Investment transactions are accounted for on a trade-date basis. Trade-date accounting refers to the recognition of an asset to be received and the liability to pay for it on the trade date; and the derecognition of an asset that is sold, recognition of any gain or loss on disposal, and the recognition of a receivable from the buyer for payment on the trade date.

Investment income includes interest from cash, interest from fixed income investments, dividends, distributions from pooled funds and realized changes in the fair value of investments classified in the fair value category. Unrealized changes in the fair value of investments classified in the fair value category are recognized by the Foundation in the Statement of Remeasurement Gains and Losses.

Interest from cash and fixed income investments are recognized as revenue when earned. Dividends are recognized as revenue on the ex-dividend date. Distributions are recognized as revenue on the date the distribution is declared.

Transaction costs, such as brokerage commissions incurred in the purchase and sale of investments are expensed as incurred and charged to investment income for investments recorded in the fair value category.

Investment counsel fees are expensed as incurred and charged to investment income.

(iii) Sponsorships:

Unrestricted sponsorships are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted sponsorships are deferred and recognized as revenue in the year in which the related obligations are fulfilled. Revenues and offsetting expenses from goods and services received in-kind are recorded at fair market value upon receipt.

(iv) Donation in kind:

Donated materials and services are recognized in these financial statements when a fair value can be reasonably estimated and when the donated materials and services are used in the normal course of the Foundation's operations and would otherwise have been purchased.

(v) Volunteer services:

The Foundation records the fair value of revenue and offsetting expenses of volunteer services in its financial statements if the fair value of volunteer services can be reasonably estimated. If the fair value cannot be estimated, a footnote disclosure is provided in the notes to financial statements.

THE CANADIAN RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

First quarter, ended June 30, 2012

(vi) Other revenues:

Revenues from honoraria, fundraising gala, publications, workshops and funded projects are recognized in the year in which the services or events relating thereto takes place. Funds received in return for future services or events are deferred.

(c) Cash, receivables and accounts payable and accrued liabilities

Cash is recorded by the Foundation at amortized cost. Receivables, and accounts payable and accrued liabilities are classified in the cost category and measured using the effective interest method. Any gains, losses or interest expense related to accounts payable and accrued liabilities are recorded in the excess of revenues over expenses depending on the nature of the financial liability that gave rise to the gain, loss or expense.

(d) Financial assets and financial liabilities

The Foundation's financial assets and financial liabilities consist of cash, investments, receivables, accounts payable and accrued liabilities, accrued salaries, deferred revenue and deferred contributions and obligation under capital lease. Investments have been classified in the fair value category based on the policies described below. Other financial assets and financial liabilities are carried at amortized cost.

Investments consist of fixed income investments, equities and pooled funds. All investments have been classified in the fair value category and are recorded at fair value as active management of the investment portfolio including capitalizing on short-term pricing opportunities is integral to generating funding for the Foundation. These investments are recognized at fair value through the Statement of Remeasurement Gains and Losses at each period end. Gains and losses on these investments are recognized in the Statement of Operations when the financial asset is derecognized due to disposal or impairment.

(e) Determination of fair values:

The fair value of the Foundation's assets and liabilities accounted for are based on market measurement on June 30. Fair values of investments are determined by reference to published price of the most recent transaction in an active market at year end representing by the full price for fixed income investments and the closing price for equities and by reference to transactional net asset values for pooled funds.

The transactional net asset value per unit of a pooled fund is calculated by dividing the net assets of the fund (based on closing market prices) by the total number of units outstanding.

Portfolio investments are reported at fair value. Unrealized changes in the fair value of portfolio investments are recognized in the Statement of Remeasurement Gains and Losses. Once realized, the cumulative gain or loss previously recognized in the Statement of Remeasurement Gains and Losses are recorded in net investment income on an average cost basis for the year. Purchases and dispositions of portfolio investments are recorded on the trade date. Management fees paid are expensed in the year.

THE CANADIAN RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

First quarter, ended June 30, 2012

(f) Inventories:

The Foundation records its inventories of publications for resale at the lower of cost or net realizable value at the year-end date. The Foundation uses the "specific identification of cost method" of assigning costs to its ending inventories. This method requires the amount of specific inventory on hand be multiplied by its actual production cost to calculate the amount of ending inventory cost.

(g) Capital assets:

Capital assets are recorded at acquisition cost. Assets under capital lease are recorded at the present value of the minimum lease payments and are amortized over the term of the lease. Except for the assets under capital lease, amortization is provided for over the estimated useful lives of the assets on a straight-line basis as follows:

Assets	Estimated Useful Lives
Office furniture and equipment	5 years
Office equipment under capital lease	Over the term of the lease
Computer hardware	3 years
Artwork	No amortization is provided
Computer software	3 years
Database development	3 years

(h) Foreign currency translation:

Transactions in a foreign currency are translated to Canadian dollars at the rate of exchange prevailing at the transaction date and included in the Statement of Operations. The fair value of investments quoted in a foreign currency and accounts denominated in a foreign currency are translated into Canadian dollars at the rates prevailing at the end of the year. Foreign exchange gains or losses prior to the derecognition of a financial asset or the settlement of a financial liability are recognized in the Statement of Remeasurement Gains and Losses. Foreign exchange gains or losses are recognized on the Statement of Operations in net investment income upon derecognition of a financial asset or the settlement of a financial liability.

(i) Employees future benefits:

The Foundation does not have any obligations for retirement benefits (pensions and other retirement benefits, such as extended health care and life insurance benefits, or any other form of compensation offered for services rendered) to its employees or a promise to provide these benefits to employees because of retirement in return for their services.

THE CANADIAN RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

First quarter, ended June 30, 2012

(j) Severance benefits:

Employees are entitled to severance benefits, when as provided for under labour contracts and conditions of employment. The cost of these benefits is accrued as the employees render the services necessary to earn them. Management determined the accrued benefit obligation using a method based upon assumptions and its best estimates. These benefits represent an obligation of the Foundation that entails settlement by future payments.

(k) Measurement uncertainty:

The preparation of financial statements in accordance with Canadian public sector accounting standards applicable for government not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses for the year. Employees future benefits, fair value of investments, and estimated useful lives of capital assets are the most significant items where estimates are used. Actual results could differ significantly from those estimated.

(l) Contingent liabilities:

In the normal course of its operations, the Foundation becomes involved in various claims or legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, a liability will be accrued and an expense recorded in the Foundations' financial statements. No amount has been included in the Statement of Financial Position for contingent liabilities. At June 30, 2012, there are no outstanding claims.

(m) Functional allocation of expenses:

The Foundation's operations are performed by functional areas that provide integrated services to its various programs. Expenses are reported by function or major program and in total on the accompanying Statement of Operations and are disclosed by the detail of expenses by object and in total in the schedule in note 19 to financial statements. This schedule outlines the major types of expenses incurred.

Allocations of expenses are made to other functions based on the Foundation's activities and programs. The rates adopted for the allocation of expenses among functions, the nature of the expenses being allocated and the basis on which such allocations have been made are as follows.

THE CANADIAN RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

First quarter, ended June 30, 2012

Functional allocation of expenses rates, nature and basis of allocation for the quarter ended June 30, 2012:

June 31 2012					
Expense	Amount (\$)	Allocation rate (%)	Function	Amount (\$)	
Salaries and benefits	104,298	75%	Program expenses	78,224	
		25%	Administration expenses	26,075	
Funded projects	52,152	100%	Funded projects	52,152	
Rent	44,231	65%	Program expenses	28,750	
		35%	Administration expenses	15,481	
Board of Directors honoraria and travel	650	100%	Board of Directors meetings	650	
Award of Excellence symposium and fundraising gala	1,278	100%	Award of Excellence symposium and fundraising gala	1,278	
Professional fees	2,579	100%	Operating expenses	2,579	
Office and general	7,112	100%	Operating expenses	7,112	
Communication	3,414	80%	Program expenses	2,731	
		20%	Administration expenses	683	
Conferences, symposia and consultations	895	100%	Conferences, symposia and consultations	895	
Amortization	3,047	100%	Operating expenses	3,047	
Information systems and development	728	100%	Information systems and development	728	
Public education	-	100%	Education and training	-	
Staff recruitment and development	826	100%	Staff recruitment and development	826	
Interest expenses	68	100%	Finance cost	68	
	221,278			221,278	

THE CANADIAN RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

First quarter, ended June 30, 2012

3. Inventories:

The inventories on hand consist of the Foundation's publications in hardcopy and DVD format package intended for resale. At June 30, 2012 the cost of inventories is \$3,445 (March 31, 2012 - \$3,445).

4. Investments:

June 30, 2012	Fair Value
Fixed income investments - Canadian	\$ 10,905,219
Equity securities- Canadian	3,528,554
Equity securities- Foreign	8,068,514
Pooled fund units	652,852
	<hr/>
	\$ 23,155,139

March 31, 2012	Fair Value
Fixed income investments - Canadian	\$ 8,259,287
Fixed income investments - Foreign	142,731
Equity securities- Canadian	2,150,505
Equity securities- Foreign	9,291,468
Pooled fund units	4,230,995
	<hr/>
	\$ 24,074,986

Canadian fixed income investments have effective interest rates ranging from 1.75 % to 6.93% (March 31, 2012 – 1.43% to 10.95%), with maturity dates ranging from April 13, 2013 to December 12, 2105 (March 31, 2012 – April 10, 2012 to December 12, 2105).

Annually, the Foundation assesses each of its investment instruments against specific criteria to determine whether there is objective evidence that the adjusted cost may not be recovered and is therefore impaired.

There is no impairment value investment portfolio losses incurred during this quarter (2012 - \$0).

THE CANADIAN RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

First quarter, ended June 30, 2012

5. Financial risk management:

In the normal course of business, the Foundation is exposed to a variety of financial risks: credit risk, interest rate risk, currency risk, other price risk and liquidity risk. The value of investments within the Foundation's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions and market news related to specific securities within the Foundation's portfolio. The level of risk depends on the Foundation's investment objectives and the types of securities in which it invests.

The Foundation manages these risks by following a diversified investment strategy which is defined and set out in its Investment Policy Statement. The portfolio is diversified according to asset class by combining different types of asset classes such as money market, fixed income and equities within the portfolio. The percentage of the portfolio allocated to each asset class is defined within a specific range and the allocations are reviewed at least every quarter to ensure that they remain within the target range or the portfolio is rebalanced to the target range.

(a) Asset Mix:

As of June 30, 2012, the Foundation's investment portfolio investment asset mix was as follows:

- 16% in Cash
- 43% in Fixed Income
- 15.8% in Canadian Equities
- 13.1% in US Equities
- 11.9% in International Equities

Within each asset class, the Foundation also holds investments with different risk-return characteristics. For example, equities are diversified across industry sectors and by company size (market capitalization) while bonds are diversified by credit ratings, term to maturity, as well as across the government and corporate bond sectors. In addition, the Foundation employs investment managers with different investment styles such as value, growth and growth at a reasonable price (GARP). Diversification also occurs at the individual security selection level whereby securities are selected based on either top-down analysis or bottom-up analysis. The Foundation is also diversified across geographic regions by investing in Canadian, US and international securities.

(b) Credit risk:

Credit risk is the risk that the counterparty to a financial assets will fail to discharge an obligation or commitment that it has entered into with the Foundation.

(i) Fixed income securities:

The Foundation's investments in fixed income securities represent the main concentration of credit risk. The market value of fixed income securities includes consideration of the credit worthiness of the issuer, and accordingly, represents the maximum credit risk exposure of the Foundation.

THE CANADIAN RACE RELATIONS FOUNDATION
SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS
 First quarter, ended June 30, 2012

Information on the Credit Ratings Report was not available for these interim financial statements. The credit rating report for the year end March 31, 2011 is as follows:

As at March 31, 2012 the Foundation was invested in fixed income securities with the following credit ratings:

Debt instrument by credit rating	Percentage of Value	
	March 31 2012	March 31 2011
AAA (+ R1 rated short-term)	24.0%	30.4%
AA	26.9%	28.4%
A	33.8%	29.4%
BBB	7.0%	6.8%
BB or less	8.3%	5.0%

Credit ratings are obtained from a number of reputable rating agencies (e.g. Standard & Poor's, Moody's, Fitch or Dominion Bond Rating Services). Where more than one rating is obtained for a security, the lowest rating has been used.

(ii) Accounts receivable:

The Foundation's exposure to credit risk associated with accounts receivable is assessed as being low mainly due to the type of the Foundation's debtors which are mainly from Government of Canada and related parties. All accounts receivables are less than 3 months.

The maximum exposure to credit risk for accounts receivable by type of customer as at June 30 is as follows:

	2012 June 30	March 31, 2012
Government of Canada	\$ 36,856	\$ 133,078
Other organizations	4,631	43,044
Interest on fixed income investment	141,380	-
	\$ 182,866	\$ 176,122

THE CANADIAN RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

First quarter, ended June 30, 2012

(c) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial assets and financial liabilities. Interest rate risk arises when the Foundation invests in interest-bearing financial assets and financial liabilities. The Foundation is exposed to the risk that the value of such financial assets and financial liabilities will fluctuate due to changes in the prevailing levels of market interest rates. Typically longer maturity instruments have greater interest rate risk; however a more sophisticated measure of interest rate risk taking into account the interest (or coupon) received is the duration of the securities. Duration is a measure of the sensitivity of a fixed income security's price to changes in interest rates and is based on the relative size and the time to maturity of expected cash flows. Duration is measured in years and will range between 0 years and the time to maturity of the fixed income security. The Foundation has divided its portfolio to be managed by several independent investment managers. The duration of the Foundation's fixed income portfolio is calculated based on the weighted average of the individual investment manager durations. Individual investment manager durations are computed based on the weighted average of the durations of individual securities (e.g. bonds) within each manager's fixed income portfolio.

The Foundation's fixed income fair value investments comprise:

	2012 June 30	2012 March 31
Fixed income investments – Canadian	\$ 10,905,218	\$ 8,259,287
Fixed income investments – Foreign	-	142,731
Fixed income investments included in pooled fund units	652,853	2,614,961
Investment saving accounts	2,259,463	
	<u>\$ 13,817,534</u>	<u>\$ 11,016,979</u>

(d) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial assets and financial liabilities will fluctuate due to changes in foreign exchange rates. Currency risk arises from financial assets and financial liabilities (including cash) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Foundation.

(e) Other price risk:

Other price risk is the risk that the fair value or future cash flows of financial assets and financial liabilities will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). All investments represent a risk of loss of capital. The investment managers of the portfolio contracted by the Foundation moderate this risk through a careful selection and diversification of securities and other financial assets and financial liabilities within the limits of specified statements of investment policy and guidelines (SIPGs) which are

THE CANADIAN RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

First quarter, ended June 30, 2012

negotiated and agreed upon with each investment manager. The maximum risk resulting from financial assets and financial liabilities is determined by the market value of the financial assets and financial liabilities. The Foundation's overall market positions are monitored on a daily basis by the portfolio managers. Financial assets and financial liabilities held by the Foundation are susceptible to market price risk arising from uncertainties about future prices of the instruments. The portfolio's actual return is compared to the benchmark return as a measure of relative performance. The benchmark return is based on the index returns for each asset class and the long-term target allocation of each asset class in the portfolio. The portfolio's long-term target asset allocation is specified in the Foundation's Investment Policy Statement. The revised Investment Policy Statement which was approved in 2009-2010 fiscal year was in force during this quarter. As a result, the Foundation's long-term target asset allocation and individual asset class indices in effect as at June 30, 2012 is as follows:

Target Asset Allocation	Asset Class Index
50% Fixed Income (including cash)	DEX Universe Bond Index (DEX 91-day T-Bill Index for cash)
15% Canadian equities	S&P TSX Composite Index
17.5% US equities	S&P 500 Index (C\$)
17.5% International equities	MSCI EAFE Index (C\$)

The historical correlation between the Foundation's investment returns and the combined benchmark returns is 0.96% at March 31, 2012 (2011 - 0.94%). The impact on the operating results and net assets of the Foundation due to a 1 percent change in the benchmark, using historical correlation between the Foundation's return as compared to the return of the combined benchmarks, with all other variables held constant, as at March 31, 2012 is estimated to be approximately 0.96% or \$232,349 (2011 - 0.94% or \$231,026).

The historical correlation may not be representative of the future correlation, and accordingly the impact on operating results and net assets could be materially different.

(f) Liquidity risk:

Liquidity risk is defined as the risk that the Foundation may not be able to settle or meet its obligations on time or at a reasonable price. The Foundation is exposed to liquidity risk as the Foundation is only able to utilize the investment income earned on the Endowment Fund to settle its obligations and such investment income fluctuates with the market conditions relating to the Foundation investment portfolio. The Foundation manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities. The Foundation manages its investments by maintaining capital management policies. At June 30, 2012 the Foundation has an unrestricted cash balance of \$921,931 (2012 - \$238,682), which is in excess of the total liabilities recorded at June 30, 2012 of \$224,372 (2012 - \$294,518).

THE CANADIAN RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

First quarter, ended June 30, 2012

As at June 30, 2012, the Foundation's liabilities have contractual maturities as follows:

	Less than 3 months \$	3 to 12 months \$	Over 1 year \$	Total \$
Accounts payable and accrued liabilities	14,951	-	997	15,948
Salaries and benefits payable		15,038	-	15,038
Obligation under capital lease	621	1,863	3,827	6,311

6. Financial assets and financial liabilities – disclosure

All Financial assets and financial liabilities measured at fair value must be classified in fair value hierarchy levels, which are as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs that are based on quoted prices for similar assets or liabilities and inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Fair value determination requiring significant management judgment or estimation and at least one significant model assumption or input that is unobservable.

Information on the Fair Value Hierarchy Report was not available for these interim financial statements. The credit rating report for the year end March 31, 2011 is as follows:

Financial Assets at fair value as at March 31, 2012:

	Level 1	Level 2	Level 3	Total
Fixed income investment	\$ 676,345	\$ 7,725,673	\$ -	\$ 8,402,018
Equity securities	11,441,973	-	-	11,441,973
Pooled fund units	-	4,230,995	-	4,230,995
Total investments	\$ 12,118,318	\$ 11,956,668	\$ -	\$ 24,074,986

During the year ended March 31, 2012, there were no significant transfers between Level 1 and Level 2 of the fair value hierarchy.

THE CANADIAN RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

First quarter, ended June 30, 2012

7. Capital assets:

Capital Assets at net book value as at June 30, 2012:

	Cost	Accumulated amortization	2012 Net book value
Office furniture and equipment	\$ 116,725	\$ 113,185	\$ 3,540
Computer hardware	167,906	155,866	12,040
Computer software	31,357	26,578	4,779
Database development	5,539	5,539	–
Artwork	16,225	–	16,225
Equipment under capital lease	11,254	3,376	7,878
	\$ 349,006	\$ 304,541	\$ 44,463

Amortization of capital assets expense is \$3,047 (March 31, 2012 - \$9,512).

Capital Assets at net book value as at March 31, 2012:

	Cost	Accumulated amortization	2012 Net book value
Office furniture and equipment	\$ 116,725	\$ 112,239	\$ 4,486
Computer hardware	167,906	154,433	13,473
Computer software	31,357	25,910	5,447
Database development	5,539	5,539	–
Artwork	16,225	–	16,225
Equipment under capital lease	11,254	3,376	7,878
	\$ 349,006	\$ 301,497	\$ 47,509

8. Obligation under capital lease:

The Foundation has entered into an agreement to rent office equipment under capital lease in March 2010. The obligation under capital lease, repayable in blended quarterly installments of \$621, including principal and interest at 4.25% with maturing date of March 31, 2015, is secured by related equipment.

	June 30 2012	March 31 2012
Obligation under capital lease	\$ 6,311	\$ 6,962

THE CANADIAN RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

First quarter, ended June 30, 2012

9. Deferred contributions and deferred revenues:

Contributions received from non-government entities that are restricted for funded projects, training workshops, and programs are deferred, and recognized as revenue in the period that the related expenses are incurred.

Funds received by the Foundation through projects or subscriptions that are not yet earned through the provision of goods or services, are deferred by the Foundation, and recognized as revenue in the period that the earnings process is culminated.

Deferred contributions and deferred revenues recorded by the Foundation at June 30, 2012 are as follows:

	2012 June 30	2012 March 31
Deferred contributions from non-government sources	\$ 185,611	\$ 201,774
Deferred revenues – goods and services	1,188	14,520
Balance, end of this quarter	\$ 186,799	\$ 216,294

Changes in the deferred contributions and deferred revenues balance during the quarter were as follows:

	June 30 2012	March 31 2012
Balance, beginning of quarter	\$ 216,294	\$ 99,032
Add: restricted contributions received from non-government sources	-	202,327
Add: deferred investment income		
Less: amounts recognized as revenue	(29,495)	(85,065)
Balance, end of the year	\$ 186,799	\$ 216,294

10. Employees future benefits:

Severance benefits liability:

The Foundation provides severance benefits to its employees based on years of service and salary upon termination. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. :

THE CANADIAN RACE RELATIONS FOUNDATION
 SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS
 First quarter, ended June 30, 2012

Benefits will be paid from future sources of revenue. Information about the plan, measured as at this quarter- end date, is as follows

	2012 June 30	2012 March 31
Accrued benefits obligation, beginning of this quarter	\$ -	\$ 10,023
Benefits accrued during this quarter	-	2,818
Benefits paid during this quarter	-	-
Accrued benefit obligation, end of this quarter	\$ -	\$ 12,841

11. Endowment:

The net assets of the Foundation include an Endowment Fund of \$24,000,000, which is considered restricted funds. The original contribution included \$12,000,000 which was part of the Redress Agreement with the National Association of Japanese Canadians, and \$12,000,000 from the Government of Canada.

The “*Canadian Race Relations Foundation Act*” stipulates that this Endowment Fund is to be used only for investment and is not available to fund the Foundation’s activities. Investment income earned from the Endowment Fund excluding changes in the fair value of investments held is available to fund the Foundation’s activities.

The Foundation has established two policies for the allocation of operating surplus. The Capital Preservation Fund policy is intended to recognize inflation in order to preserve the capital endowment fund of \$24,000,000. The Reserve Fund policy is used for the accumulation of unallocated operating surplus.

12. Contractual obligations:

The Foundation entered into a lease agreement for office premises commencing April 1, 2008 and expiring March 31, 2013.

The Foundation is also committed to two office equipment leases and a contract for on-line event management.

The contractual obligations for the next five years are related to operating lease as at June 30, 2012 amounted to \$154,000 (March 31, 2012 - \$ 203,000).

THE CANADIAN RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

First quarter, ended June 30, 2012

13. Net investment income:

	2012 June 30	2011 June 30
	\$	\$
Realized gains on sale of investments	(679,480)	(28,467)
Interest from cash and fixed income investments, dividends, distributions from pooled fund units	320,770	283,167
Realized losses on foreign exchange	(658,247)	-
Less: transaction costs and investment counsel fees	(32,080)	(47,502)
Net investment income	(1,049,037)	207,198

14. Invested in capital assets:

(a) The investment in capital assets consists of the following:

	2012 June 30	2012 March 31
Capital assets	\$ 44,463	\$ 47,509
Less obligation under capital lease	(6,311)	(6,962)
	\$ 38,151	\$ 40,547

(b) The net change in investment in capital assets is calculated as follows:

	2012 June 30	2012 March 31
Capital asset additions	\$ -	\$ 21,801
Less: capital assets financed with deferred capital contributions	-	-
Capital assets purchased with Foundation funds	\$ -	\$ 21,801
Amortization of deferred capital contributions	-	-
Amortization of capital assets	(3,047)	(9,512)
Repayment of capital lease obligations	651	2,131
Net change in investment in capital assets	\$ 2,396	\$ 14,420

THE CANADIAN RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

First quarter, ended June 30, 2012

15. Related party transactions:

The Foundation is related to all Government of Canada departments, agencies, Crown corporations and anybody related to persons fulfilling senior management functions. The Foundation enters into transactions with these entities in the normal course of business. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. During the quarter, the Foundation incurred expenses totaling \$23,189 (March 31, 2012 - \$195,321) and recorded revenue of \$23,189 (March 31, 2012 - \$152,721) with the interfaith and belonging project, funded by Citizenship and Immigration Canada.

The Foundation has \$576,950 contractual obligations with Citizenship and Immigration Canada for the interfaith and belonging project as at June 30, 2012 (March 31, 2012- \$600,136).

As at June 30, the Foundation had the following balance on the statement of financial position related to the Interfaith and Belonging project, funded by Citizenship and Immigration Canada (CIC):

	2012 June 30	2012 March 31
Accounts receivable from CIC	\$ 23,189	\$ 103,006

16. Donations in-kind:

During this Quarter the fair value of donated services and materials included as revenue "in-kind" in the financial statements was \$0 (March 31, 2012 - \$79,909).

17. Donated capital assets:

The Foundation received no "capital assets donation" in this quarter.

THE CANADIAN RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

First quarter, ended June 30, 2012

18. Schedule of expenses by object:

	2012 June 30	2011 June 30
Expenses:		
Salaries and benefits	<u>104,298</u>	<u>125,056</u>
Funded projects	<u>52,152</u>	<u>5,113</u>
Rent	<u>44,231</u>	<u>43,514</u>
Office and general	<u>7,112</u>	<u>8,873</u>
Communication	<u>3,414</u>	<u>3,502</u>
Amortization	<u>3,047</u>	<u>1,486</u>
Professional fees	<u>2,579</u>	<u>4,417</u>
Award of Excellence symposium and fundraising gala	<u>1,278</u>	<u>-</u>
Conferences, symposia and consultations	<u>895</u>	<u>677</u>
Staff recruitment and development	<u>826</u>	<u>806</u>
Information systems and development	<u>728</u>	<u>-</u>
Board of Directors honoraria and travel	<u>650</u>	<u>19,990</u>
Interest expenses	<u>68</u>	<u>233</u>
	<hr/> <u>221,278</u>	<hr/> <u>213,667</u>

