

CANADIAN RACE RELATIONS FOUNDATION



UNAUDITED QUARTELY FINANCIAL REPORT

Third quarter, of fiscal year 2012-2013, ended

December 31, 2012

UNAUDITED QUARTELY FINANCIAL REPORT

Third quarter, ended December 31, 2012

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Financial Management Discussion and Analysis

Third quarter of fiscal year 2012-2013, ended December 31, 2012

The following sections should be read in conjunction with the Foundation's unaudited quarterly financial statement for the third quarter, ended December 31, 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

	December 31, 2012	March 31, 2012	Changes	
	\$	\$	\$	%
Assets				
Cash	804,091	393,368	410,723	104
Investments	23,598,543	24,074,986	(476,443)	(2)
Prepaid expenses, other receivables and inventories	195,041	186,928	8,113	4
Capital assets and intangible assets	38,370	47,509	(9,140)	(19)
Total Assets	24,636,045	24,702,791	(66,746)	(0.3)
Liabilities and Net Assets				
Accounts payable and accrued liabilities	27,748	36,769	(9,020)	(25)
Salaries and employees future benefits payable	69,878	34,493	35,385	103
Deferred contributions and deferred revenues	156,939	216,294	(59,355)	(27)
Obligation under capital lease	4,306	6,962	(2,656)	(38)
Net assets	24,377,174	24,408,273	(31,099)	(0.1)
Total Liabilities and Net Assets	24,636,045	24,702,791	(66,746)	(0.3)

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. For the nine-month ended December 31, 2012 total cash increased \$410,023 from March 31, 2012 primarily due to the unspent cash in the investment manager's accounts.

Investments fair market value have decreased 2% (\$476,433) for the nine-month ended December 31, 2012 compared to the investment value at March 31, 2012. This is mainly due to the increase in the unspent cash in the investment manager's account of \$482,233.

During the nine-month ended December 31, 2012, the Canadian Race Relations Foundation restricted and unrestricted portfolios returned +1.24% net of fees, compared to the blended benchmark identical return of +1.24%. The year-to-date performance to December 31, 2012, net of fees, was +5.88%, compared to the blended benchmark return of 3.70% (value added of 2.18%).

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 nine-month ended December 31, 2012 prepaid expenses, other receivables and inventories increased \$8,113 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 \$9,140 in the capital assets as at December 31, 2012 is for the cost of the amortization of all assets.

Liabilities

Accounts payable and accrued liabilities represent amounts payable to suppliers and accrued expenses for the reporting period. There is a decrease in accounts payable and accrued liabilities of \$9,020 as at December 31, 2012 compared to March 31, 2012.

Salaries and employees future benefits payable are vacation and severance pay accruals owed to employees. There is an increase in salaries and employees future benefits payable of \$35,385 as at December 31, 2012 compared to March 31, 2012. This is mainly due to an increase in the future benefits payable.

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 \$122,324 and the Education and Training Center fund of \$34,615. There is a decrease of \$59,355 as at December 31, 2012 in the deferred contributions and deferred revenues compared to March 31, 2012. This is mainly due to a decrease in the advanced contributions from the "DELI" project of \$44,835.

Obligation under capital lease is the balance of capital repayment owed for the office equipment under lease of \$4,306 as at December 31, 2012.

Net Assets decreased 0.1% as at December 31, 2012 compared to March 31, 2012.

Statement of Operations Discussion

Revenues	Three-month ended December 31,				Nine-month ended December 31, (YTD)			
	2012	2011	Change		2012	2011	Change	
	(Actual \$)	(Actual \$)	\$	%	(Actual \$)	(Actual \$)	\$	%
Funded projects	80,215	56,844	23,371	41	213,916	122,468	91,448	75
Workshops	13,800	-	13,800	n/a	40,800	5,025	35,775	712
Sponsorships, donations, contributions, honoraria and fundraising gala	3,126	-	3,126	n/a	31,170	5,930	25,240	426
Publications	2,197	575	1,622	(240)	2,292	743	1,549	209
Total Revenues	99,338	57,419	41,919	73	288,178	134,166	154,012	115
Net investment gain	2012	2011	Change		2012	2011	Change	
	(Actual \$)	(Actual \$)	\$	%	(Actual \$)	(Actual \$)	\$	%
	Investment income earned	156,794	150,135	6,659	4	(235,104)	542,303	(777,408)
Changes in fair value - realized	(10,071)	(476,171)	466,100	(98)	(609,418)	(351,957)	(257,460)	73
Net investment gain	146,723	(326,036)	472,759	(145)	(844,522)	190,346	(1,034,868)	(544)

Revenues from **Funded projects** represent payments received or receivable from the Department of Citizenship and Immigration Canada for “the Interfaith and Belonging” project and from the Ontario Ministry of Education for “the Diversity and Equity Leadership Institute (DELI) for Ontario School System Leaders” project.

Revenues from **Workshops** represent fees received by the Foundation for conducting education and training sessions in the Ontario school boards.

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 earned: 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 gains on investment for the three-month ended December 31, 2012 is \$156,794 which is identical to the gain of \$150,135 for the same period ended December 31, 2011.

Changes in fair value of investments for three-month ended December 31, 2012 include a realized gain on sales of investments of \$10,071 compared with a realized loss of \$475,171 for the three-month December 31, 2011.

The unrealized gains (losses) attributed to investments measured at fair value and unrealized gains (losses) attributed to foreign exchange are recognized in the Statement of Remeasurement Gains and Losses. Unrealized changes in fair value of the investments as at December 31, 2012 were \$1,468,327 compared to - \$790,650 as at December 31, 2011.

Expenses

	Three-month ended December 31,				Nine-month ended December 31, (YTD)			
	2012 (Actual \$)	2011 (Actual \$)	Change		2012 (Actual \$)	2011 (Actual \$)	Change	
			\$	%			\$	%
Salaries and benefits	121,082	94,494	26,587	28	389,912	307,014	82,898	27
Funded projects	87,153	73,324	13,828	19	233,792	138,947	94,845	68
Award of Excellence symposium and fundraising gala	82,714	-	82,714	n/a	89,078	4	89,078	n/a
Board of Directors honoraria and travel	36,813	199	36,613	18.4k	43,237	31,498	11,739	37
Rent	31,599	30,515	1,086	4	120,062	117,542	2,520	2
Office and general, conference, symposium and others	18,289	14,510	3,779	26	28,368	35,239	(6,871)	-19
Professional fees	10,635	19,922	(9,287)	-47	20,187	27,100	(6,913)	-26
Communication	4,350	4,210	140	3	18,446	13,766	4,680	34
Total Expenses	392,635	237,175	155,460	66	943,082	671,108	271,974	41

The Foundation's total expenses is \$392,635 for the three-month ended December 31, 2012 with the three main users of funds being salaries and benefits, funded projects, and Award of Excellence symposium and fundraising gala expenses, totaling \$121,082, \$87,153 and 82,714 respectively. The total nine-month December 31, 2012 expenses is \$943,082 and the anticipated total expenses for the year 2012-2013 is \$1,457,000.

There is \$26,587 increase in **Salaries and benefits** expenses for the three-month ended December 31, 2012 compared to December 31, 2011, mainly due to an accrual for the future employees benefits. During this quarter one employee was on the long term disability leave.

Funded Projects year to date December 31, 2012 expenses represent expenses of the “Interfaith and Belonging” project (\$105,552), the “Diversity and Equity Leadership Institute for Ontario School System Leaders” project (\$117,835), and Ontario School Boards Workshops (\$23,219).

The Award of Excellence symposium and gala is an event held every other year. In October 2012 the Foundation held its eight Awards of Excellence & symposium in Halifax, Nova Scotia to recognize achievement and Best Practices in equity and anti-racism. Total cost of the event is \$89,078 and total revenue for the event from sponsorships and contributions is \$29,550.

Rent expense for the office space for the three-month ended December 31, 2012 had no significant changes compared to December 31, 2011.

Office and general, conference, symposium and others expenses had no significant changes compared to December 31, 2011.

Professional fees are for legal, accounting and corporate services fees. For the three-month ended December 31, 2012 there is a decrease of \$9,287 compared to December 31, 2011 mainly due to decrease in accounting fees for PSAB conversion.

Honoraria and expenses for the **Board of Directors** increased \$18,384 for the three-month ended December 31, 2012. There was one Director’s face to face meeting in this period.

Outlook

The Canadian Race Relations Foundation continues to fund its operations through the investment income. In the next quarter and next fiscal year, 2013-2014, the Foundation will continue the implementation of “the Interfaith and Belonging” project, funded by the Department of Citizenship and Immigration Canada and the Ontario School Boards Workshops .

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.

CANADIAN RACE RELATIONS FOUNDATION
Unaudited Quarterly Financial Report
For the three and nine months ended December 31, 2012

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.



Rubin Friedman
Principal Operating Officer

February 20, 2013



Arsalan Tavassoli MA, CGA
Finance and Administration Director

February 20, 2013

CANADIAN RACE RELATIONS FOUNDATION
UNAUDITED QUARTERLY FINANCIAL STATEMENTS
Statement of Financial Position

As at	December 31, 2012	March 31, 2012
	\$	\$
Assets		
Current Assets		
Cash	804,091	393,368
Prepaid expenses	10,172	7,361
Receivable and inventories	184,869	179,567
Investments (note 3)	2,705,655	292,926
	<u>3,704,787</u>	<u>873,222</u>
Investments (note3)	20,892,888	23,782,060
Capital assets (note 5)	<u>38,370</u>	<u>47,509</u>
	<u>24,636,045</u>	<u>24,702,791</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	27,748	36,769
Accrued salaries	4,000	21,652
Deferred contribution and deferred revenues (note7)	156,939	216,294
	<u>188,687</u>	<u>274,715</u>
Obligation under capital lease (note 6)	4,306	6,962
Employees future benefits	<u>65,878</u>	<u>12,841</u>
	<u>258,871</u>	<u>294,518</u>
Net assets:		
Unrestricted	(746,116)	746,825
Invested in capital assets (note 11)	34,063	40,547
Accumulated remeasurement gains (losses)	1,089,228	(379,099)
Restricted for endowment purposes (note 8)	24,000,000	24,000,000
	<u>24,377,174</u>	<u>24,408,273</u>
	<u>24,636,045</u>	<u>24,702,791</u>

Contractual obligations (note 9)

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

CANADIAN RACE RELATIONS FOUNDATION
UNAUDITED QUARTERLY FINANCIAL STATEMENTS
Statement of Operations

	Three-month ended		Nine-month ended	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Revenues	\$	\$	\$	\$
Funded projects	80,215	56,844	213,916	122,468
Workshops	13,800	-	40,800	5,025
Sponsorships, donations and contributions, honoraria and fundraising gala	3,126	-	31,170	3,500
Project - Competencies for the Management of Diversity	-	-	-	2,431
Publications & Misc. revenue	2,197	575	6,342	743
	<u>99,338</u>	<u>57,419</u>	<u>288,178</u>	<u>134,166</u>
Expenses				
Programs expenses	114,830	94,074	385,231	317,677
Funded projects	87,153	73,324	233,792	138,947
Award of Excellence symposium and fundraising gala	82,714	-	89,078	-
Administration expenses	42,200	35,146	143,189	120,647
Board of Directors meetings	36,813	199	43,237	31,498
Operating expenses	22,609	24,867	38,415	49,620
Conferences, symposia and consultations	4,576	5,562	6,836	6,795
Information systems and development	1,740	4,002	3,304	5,925
	<u>392,635</u>	<u>237,175</u>	<u>943,082</u>	<u>671,108</u>
(Deficiency) of revenues over expenses before net investment gain	<u>(293,297)</u>	<u>(179,757)</u>	<u>(654,903)</u>	<u>(536,942)</u>
Net investment income (note 10)	146,723	(326,036)	(844,522)	190,346
Excess (deficiency) of revenues over expenses for the period	<u>(146,574)</u>	<u>(505,793)</u>	<u>(1,499,425)</u>	<u>(346,596)</u>

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

CANADIAN RACE RELATIONS FOUNDATION
UNAUDITED QUARTERLY FINANCIAL STATEMENTS
Statement of Remeasurement Gains and Losses

	Three-month ended December 31, 2012	Nine-month ended (YTD) December 31, 2012	Last fiscal year March 31, 2012
	\$	\$	\$
Accumulated Remeasurement gains, beginning of the period	1,008,163	(379,099)	-
Unrealized gains (losses) attributed to investment portfolio	29,545	1,484,067	(469,504)
Unrealized gains attributed to foreign exchange	51,520	(15,740)	90,405
Accumulated Remeasurement gains, end of period	1,089,228	1,089,228	(379,099)

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

CANADIAN RACE RELATIONS FOUNDATION
Unaudited Quarterly Financial Statements
Statement of Changes in Net Assets

Three-month ended December 31, 2012	Unrestricted	Invested in capital assets	Accumulated remeasurement gains (losses)	Endowment	Three-month ended December 31, 2012
	\$	\$	\$	\$	\$
Net assets, beginning of period	(601,937)	36,459	1,008,168	24,000,000	24,442,690
Excess of expenses over revenues	(146,574)	-	-	-	(146,574)
Remeasurement gains	-	-	81,058	-	81,058
Net changes in invested in capital assets (note 15)	2,396	(2,396)	-	-	-
Net assets, end of period	(746,116)	34,063	1,089,227	24,000,000	24,377,174

Nine-month ended December 31, 2012	Unrestricted	Invested in capital assets	Accumulated remeasurement gains (losses)	Endowment	Nine-month ended December 31, 2012
	\$	\$	\$	\$	\$
Net assets, beginning of period	746,825	40,547	(379,099)	24,000,000	24,408,273
Excess of expenses over revenues	(1,499,425)	-	-	-	(1,499,425)
Remeasurement gains	-	-	1,468,327	-	1,468,327
Net changes in invested in capital assets (note 15)	6,484	(6,484)	-	-	-
Net assets, end of period	(746,116)	34,063	1,089,228	24,000,000	24,377,174

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	24,711,466
Excess of expenses over revenues	75,906	-	-	-	75,906
Remeasurement gains	-	-	(379,099)	-	(379,099)
Net changes in invested in capital assets (note 15)	(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 statements.

CANADIAN RACE RELATIONS FOUNDATION
Unaudited Quarterly Financial Statements
Statement of Cash Flows

	Three-month ended December 31,		Nine-month ended December 31,	
	2012	2011	2012	2011
	\$	\$	\$	\$
Operating activities:				
Excess (deficiency) of revenue over expenses	(146,574)	(505,793)	(1,499,425)	(346,596)
Items not affecting cash:				
Amortization	3,047	5,202	9,140	8,175
Realized gain (loss) on foreign exchange	(18,122)	12,879	815,543	39,343
Realized gains (loss) on sales of investments and changes in fair value of investments (note 14)	10,071	476,171	609,417	351,957
	(151,578)	(11,541)	(65,325)	52,879
Changes in non-cash operating assets and liabilities:				
(Increase) decrease in prepaid expenses	(232)	(7,074)	(2,814)	(7,297)
(Increase) decrease in receivables and inventories	54,380	(86,375)	(5,303)	(85,605)
Increase (decrease) in accounts payable and accrued liabilities, accrued salaries and employees future benefits	63,906	15,528	39,206	(5,482)
Increase (decrease) in deferred contributions and deferred revenues	27,689	9,500	(59,355)	(25,638)
Net cash used in operating activities	(5,835)	(79,962)	(93,591)	(71,142)
Capital activities:				
Addition to capital assets	-	(32,326)	-	(47,552)
Repayment of capital lease obligations	(651)	(1,302)	(2,656)	(1,953)
Net cash used in capital activities	(651)	(33,628)	(2,656)	(49,505)
Investing activities:				
Proceeds from sale of investments	1,162,748	931,658	26,431,660	4,017,997
Purchase of investments	(1,277,360)	(710,094)	(25,924,689)	(3,960,719)
Net cash provided (used) by investing activities	(114,612)	221,564	506,971	57,278
Increase (decrease) in cash	(121,098)	107,974	410,724	(63,369)
Cash, beginning of period	925,191	35,492	393,368	206,836
Cash, end of period	804,091	143,467	804,091	143,467

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

CANADIAN RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS

For the three and nine months ended December 31, 2012

The unaudited quarterly 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. Authority and mandate:

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) and is a Crown corporation.

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 quarterly financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations. The same accounting policies and methods of computation are followed in the quarterly financial statements as compared to the March 31, 2012 Annual Audited Financial Statements.

3. Investments:

As at December 31, 2012	Fair Value
Fixed income investments - Canadian	\$ 10,720,209
Equity securities- Canadian	4,022,568
Equity securities- Foreign	6,148,905
Saving Account /Cash equivalent securities	2,706,861
	<hr/>
	\$ 23,598,543

CANADIAN RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS

For the three and nine months ended December 31, 2012

As at 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
	\$ 24,074,986

4. 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:

The asset allocation of the overall Foundation's investment portfolio investment as at December 31, 2012 was as follows:

	<u>Asset Mix</u>	<u>IPS Target</u>	<u>Range Permitted</u>
Cash	14.1%	0%	0% - 20%
Fixed Income	44.0%	55.0%	40% - 70%
Canadian Equities	16.6%	20.0%	10% - 30%
Global Equities	25.3%	25.0%	10% - 40%

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

CANADIAN RACE RELATIONS FOUNDATION
SELECTED NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS
For the three and nine months ended December 31, 2012

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.

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

Rating	Market Value	Percentage
	\$	%
AAA Bonds	3,147,524	29.36
AA Bonds	30,911	0.29
A Bonds	202,806	1.89
AA+ Bonds	68,158	0.64
A+ Bonds	2,693,640	25.13
AA- Bonds	2,207,573	20.59
A- Bonds	1,110,204	10.36
BBB+ Bonds	792,472	7.39
BBB Bonds	398,156	3.71
BBB- Bonds	39,923	0.37
Unrated	28,842	0.27
	10,720,209	100.00

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.

CANADIAN RACE RELATIONS FOUNDATION
 SELECTED NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS
 For the three and nine months ended December 31, 2012

The maximum exposure to credit risk for accounts receivable by type of customer as at December 31, 2012 is as follows:

As at	December 31, 2012	March 31, 2012
Government of Canada	\$ 84,641	\$ 133,078
Other organizations	26,198	43,044
Interest on fixed income investment	70,585	33,101
	\$ 181,424	\$ 209,223

(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:

As at	December 31, 2012	March 31, 2012
Fixed income investments – Canadian	\$ 10,720,209	\$ 8,259,287
Fixed income investments – Foreign	-	142,731
Fixed income investments included in pooled fund units	-	2,614,961
Investment saving accounts / Cash equivalent securities	2,706,861	-
	\$ 13,427,070	\$ 11,016,979

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For the three and nine months ended December 31, 2012

(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 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.

(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 December 31, 2012 the Foundation has an unrestricted cash balance of \$684, 456 (March 31, 2012 - \$238,682), which is in excess of the total liabilities recorded at December 31, 2012 of \$258,872 (March 31, 2012 - \$294,518).

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 For the three and nine months ended December 31, 2012

As at December 31, 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	26,751	-	997	27,748
Salaries and benefits payable	65,878		-	69,878
Obligation under capital lease	621	1,863	1,822	4,306

5. Capital assets:

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

	Cost	Accumulated amortization	Net book value
Office furniture and equipment	\$ 116,725	\$ 113,388	\$ 3,337
Computer hardware	167,906	158,732	9,174
Computer software	31,357	27,913	3,444
Database development	5,539	5,539	-
Artwork	16,225	-	16,225
Equipment under capital lease	11,254	5,064	6,190
	\$ 349,006	\$ 310,636	\$ 38,370

Amortization of capital assets expense for nine-months to December 31, 2012 is \$9,140.

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

	Cost	Accumulated amortization	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

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For the three and nine months ended December 31, 2012

6. 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.

	December 31, 2012	March 31 2012
Obligation under capital lease	\$ 4,306	\$ 6,962

7. 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 December 31, 2012 are as follows:

	December 31, 2012	March 31, 2012
Deferred contributions from non-government sources	\$ 156,939	\$ 201,774
Deferred revenues – goods and services	-	14,520
Balance, end of period	\$ 156,939	\$ 216,294

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

	December 31, 2012	March 31 2012
Balance, beginning of the period	\$ 216,294	\$ 99,032
Add: restricted contributions received from non-government sources	60,000	202,327
Less: amounts recognized as revenue	(119,355)	(85,065)
Balance, end of period	\$ 156,939	\$ 216,294

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For the three and nine months ended December 31, 2012

8. 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.

9. Contractual obligations:

The Foundation’s lease agreement for its current office premises expires March 31, 2013. In September 2012 the Foundation entered into a lease agreement for its future office premises commencing April 1, 2013 and expiring March 31, 2018.

The Foundation has 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 December 31, 2012 amounted to \$398,800 (March 31, 2012 - \$ 203,000).

10. Net investment income:

	Nine-month ended December 31, 2012	Nine-month ended December 31, 2011
	\$	\$
Realized gains (losses) on sale of investments	(609,417)	(351,957)
Interest from cash and fixed income investments, dividends, distributions from pooled fund units, gains on foreign exchange	684,587	702,768
Realized losses on foreign exchange	(815,543)	(39,343)
Less: transaction costs and investment counsel fees	(104,149)	(121,122)
Net investment income	(844,522)	190,346

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11. Invested in capital assets:

The investment in capital assets consists of the following:

	December 31, 2012
Capital assets	\$ 38,370
Less obligation under capital lease	(4,306)
	<u>\$ 34,064</u>

12. Comparative figures:

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.