

CANADIAN RACE RELATIONS FOUNDATION



FONDATION CANADIENNE DES RELATIONS RACIALES

UNAUDITED QUARTELY FINANCIAL REPORT

Third, of fiscal year 2013-2014, ended

December 31, 2013

UNAUDITED QUARTELY FINANCIAL REPORT

Third quarter, of fiscal year 2013-2014, ended December 31, 2013

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Financial Management Discussion and Analysis

Third quarter of fiscal year 2013-2014, ended December 31, 2013

Refer to Management's Discussion and Analysis as presented in the March 31, 2013 Annual Report. Updates for the quarter ended December 31, 2013 are as follows.

Statement of Financial Position Discussion

	2013 December 31 (Actual \$)	2013 March 31 (Actual \$)	Changes	
			\$	%
Assets				
Cash and cash equivalent	2,470,934	3,091,432	(620,498)	(20)
Investments	23,331,853	21,739,880	1,591,973	7.3
Prepaid expenses, receivables and inventories	135,892	341,757	(205,866)	(60)
Capital assets	68,404	76,894	(8,489)	(11)
Total Assets	26,007,083	25,249,963	757,120	3.0
Liabilities and Net Assets				
Accounts payable and accrued liabilities	40,728	71,243	(30,515)	(43)
Salaries and employees future benefits payable	22,607	25,588	(2,981)	(12)
Deferred contributions and deferred revenues	39,715	60,494	(20,779)	(34)
Obligation under capital lease	3,008	4,739	(1,731)	(37)
Net assets	25,901,025	25,087,899	813,126	3.2
Total Liabilities and Net Assets	26,007,083	25,249,963	757,120	3.0

Assets

Cash and cash equivalent is composed of cash at banks of \$154,916, cash equivalent in saving accounts in the investment portfolio of \$2,233,073 and cash balances held by the Foundation's investment managers of \$82,945 (March 31, 2013, \$621,680).

Investments fair market value increased 7.3%, \$1,591,973 for the nine-month ended December 31, 2013 compared to the investment value at March 31, 2013. This is mainly due to increase in the market value of the investment portfolios and rise of US Dollar value to Canadian Dollar.

Portfolio Values

During this quarter, the investment portfolios restricted returned +4.43% net of fees, compared to the blended benchmark return of +4.30%. The performance from inception to December 31,

2013, net of fees, was +8.71%, compared to the blended benchmark return of +7.94% (value added of 0.77%).

Prepaid expenses, receivables and inventories decreased \$205,866 compared to March 31, 2013 mainly due to collection of accounts receivable from the Department of Citizenship and Immigration Canada for “the Interfaith and Belonging” project, dividends receivable and 2012 property tax rebate.

Capital assets decreased \$8,489 for the Nine-month ended December 31, 2013 compared to March 31, 2013. This is the net result of \$6,729 addition to the capital assets reduced by the Nine-month ended December 31, 2013 amortization of all assets of \$15,219.

Liabilities

Accounts payable and accrued liabilities decreased \$30,515 for the Nine-month ended December 31, 2013 compared to March 31, 2013.

Salaries and employees future benefits payable decreased \$2,981 for the Nine-month ended December 31, 2013 compared to March 31, 2013.

Deferred contributions and deferred revenues decreased \$20,779 for the Nine-month ended December 31, 2013 compared to March 31, 2013. This is mainly due to use of entire advanced contributions from the “DELI” project in this period.

Obligation under capital lease is the balance of capital repayment owed for the office equipment under lease of \$3,591 as at December 31, 2013.

Net Assets increased 3.2%, \$813,126 for the Nine-month ended December 31, 2013 compared to March 31, 2013 mainly due to remeasurement (unrealized) gain on investments portfolio of \$361,952 and excess of revenues over expenses of \$451,473 for the Nine-month ended December 31, 2013.

Statement of Operations Discussion

Third Quarter of fiscal year 2013-2014, ended December 31, 2013

Revenues	Three-month ended December 31,				Nine-month ended December 31, (YTD)			
	2013 (Actual \$)	2012 (Actual \$)	Change		2013 (Actual \$)	2012 (Actual \$)	Change	
			\$	%			\$	%
Funded projects	69,521	80,215	(10,694)	(13)	189,923	254,716	(64,793)	(25)
Sponsorships, donations, contributions, honoraria and fundraising gala	2,212	18,678	(16,466)	(88)	3,532	31,170	(27,638)	(89)
Publications, in-kind and miscellaneous revenues	-	439	(439)	n/a	163	2,292	(2,129)	(93)
Total Revenues	71,733	99,332	(27,599)	(28)	193,618	288,178	(94,560)	(33)

Statement of Operations Discussion (continued)

Net investment gain	Three-month ended December 31, 2013 (Actual \$)	Three-month ended December 31, 2012 (Actual \$)	Change		Nine-month ended December 31, 2013 (Actual \$)	Nine-month ended December 31, 2012 (Actual \$)	Change	
			\$	%			\$	%
Investment income earned	389,096	156,795	232,301	148	806,248	(235,104)	1,041,352	(443)
Changes in fair value - realized	94,371	(10,071)	104,442	(1,037)	43,974	(609,417)	653,391	(107)
Net investment gain	483,467	146,724	336,743	229	850,222	(844,522)	1,694,744	(201)

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 \$123,845, from the Ontario Ministry of Education for phase II of “the Diversity and Equity Leadership Institute (DELI) for Ontario School System Leaders” project of \$44,162, and from the Ontario School Boards for training workshops on “the Foundations of Equity and Anti-Racism in Education program” of \$21,916.

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.

Publications, in-kind and miscellaneous revenues are sale proceeds of the CRRF publications and conferences registration fees.

Net investment income earned: 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, dividends, and distributions from pooled fund units, after portfolio management fees. Investment income earned for Nine-month ended December 31, 2013 is \$806,248, an increase of \$1,041,352 from December 31, 2012. This is mainly due to the change of the composition of the portfolios and losses incurred in foreign exchanges at disposition of investment positions in 2012.

Changes in fair value realized of investments for Nine-month ended December 31, 2013 include realized gain on sales of investments of \$43,974 compared with realized loss of \$609,417 in the Nine-month ended December 31, 2012. The December 31, 2012 loss was mainly due to losses incurred on the disposition of impaired foreign equities.

Unrealized gains and losses on investments measured at fair value are recognized in the Statement of Remeasurement Gains and Losses. Unrealized changes in fair value of the investments in the Nine-month ended December 31, 2013 were \$361,352 gain compared to gain of \$1,468,327 in December 31, 2012.

Statement of Operations Discussion (continued)

Third quarter of fiscal year 2013-2014, ended December 31, 2013

Expenses	Three-month ended December 31,				Nine-month ended December 31, (YTD)			
	2013	2012	Change		2013	2012	Change	
			\$	%			\$	%
	(Actual \$)	(Actual \$)			(Actual \$)	(Actual \$)		
Salaries and benefits	101,585	121,082	(19,497)	(0.2)	267,812	389,912	(122,100)	(0.3)
Funded projects	72,868	87,153	(14,285)	(0.2)	181,275	233,792	(52,517)	(0.2)
Rent	12,821	31,599	(18,778)	(0.6)	44,809	120,062	(75,253)	(0.6)
Office and general, communication, conference, symposium and others	12,142	18,289	(6,147)	(0.3)	41,246	28,368	12,878	0.5
Board of Directors honoraria and travel	11,726	36,813	(25,087)	(0.7)	34,707	43,237	(8,530)	(0.2)
Communication	4,382	4,350	32	0.0	21,714	18,446	3,268	0.2
Award of Excellence symposium and fundraising gala	252	82,714	(82,462)	(1.0)	252	89,078	(88,826)	(1.0)
Professional fees	221	10,635	(10,414)	(1.0)	552	20,187	(19,635)	(1.0)
Total Expenses	215,997	392,635	(176,638)	(3.9)	592,367	943,081	(350,714)	(2.7)

The Foundation's total expenses is \$592,367 for the Nine-month ended December 31, 2013 with the three main users of funds being funded projects, salaries and benefits and rent, totaling \$267,812, \$181,275 and \$44,809 respectively.

Funded Projects year to date December 31, 2013 expenses represent expenses of the "Interfaith and Belonging" project (\$123,844), the "Diversity and Equity Leadership Institute for Ontario School System Leaders" project, ended July 2013, (\$44,301), and Ontario School Boards Workshops (\$13,130).

There was \$122,100 decreases in **salaries and benefits**, \$52,517 in **funded projects** and \$75,253 in **rent** expenses compared to December 31, 2012. The decrease in the salaries and benefits is mainly due to two vacant positions, the decrease in funded project is mainly due to completion of the 'DELI' project in July 2013, and the decrease in rent is due to lower monthly rent cost for the new office space.

Office and general, conference, symposium and others expenses increased \$12,878 compared to December 31, 2012. The increase is due to lower administration fee received from the funded projects.

Professional fees are for legal, accounting and corporate services fees. For the Nine-month ended December 31, 2013 there was a decrease of \$19,635 compared to December 31, 2012 mainly due to decrease in legal cases and outsourced accounting assignments.

Honoraria and expenses for the **Board of Directors** decreased \$8,530 for the Nine-month ended December 31, 2013. There was one Director's face to face meeting in this period.

The Award of Excellence symposium and fundraising gala is an event held every two years. The December 31, 2012 expenses were for October 2012 event in Halifax.

Outlook

The Canadian Race Relations Foundation continues to fund its operations through the investment income. In the last quarter of 2013/14, the Foundation will continue the implementation of "the Interfaith and Belonging" project, funded by the Department of Citizenship and Immigration Canada.

The Foundation has an approved operating revenues budget of \$1,194,200 and expenditures budget of \$1,209,700 for 2013-14. The approved budget for the year is closely monitored by senior management and the Board of Directors.

The Foundation, in consultation with the board of directors and its personnel will develop its Strategic Plan for 2014/15 to 2016/17 fiscal years in February 2014.

CANADIAN RACE RELATIONS FOUNDATION
Unaudited Quarterly Financial Report
For the nine months ended December 31, 2013

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.



Arsalan Tavassoli MA, CGA
Finance and Administration Director

February 15, 2014

CANADIAN RACE RELATIONS FOUNDATION
UNAUDITED QUARTERLY FINANCIAL STATEMENTS
Statement of Financial Position
As at December 31, 2013

	2013	2013
	December 31	March 31
	\$	\$
Assets		
Current Assets		
Cash and cash equivalent	2,470,934	3,091,432
Prepaid expenses	5,421	10,279
Receivables and inventories (note 3)	130,470	331,478
Investments (note 4)	447,050	440,127
	<u>3,053,875</u>	<u>3,873,316</u>
Investments (note 4)	22,884,803	21,299,753
Capital assets (note 6)	68,405	68,405
	<u>26,007,083</u>	<u>25,249,963</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	40,728	71,243
Accrued salaries	22,607	25,588
Deferred contributions and deferred revenues (note 8)	39,715	60,494
	<u>103,050</u>	<u>157,325</u>
Obligation under capital lease (note 7)	3,008	4,739
	<u>106,058</u>	<u>162,064</u>
Net assets:		
Unrestricted	195,702	(262,531)
Invested in capital assets (note 12)	65,396	72,155
Accumulated remeasurement gains	1,639,927	1,278,275
Restricted for endowment purposes (note 9)	24,000,000	24,000,000
	<u>25,901,025</u>	<u>25,087,899</u>
	<u>26,007,083</u>	<u>25,249,963</u>

Contractual obligations (note 10)

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

CANADIAN RACE RELATIONS FOUNDATION
UNAUDITED INTERIM QUARTERLY FINANCIAL
STATEMENTS
Statement of Operations

	Three months ended		Nine months ended	
	2013 December 31	2012 December 31	2013 December 31	2012 December 31
Revenues	\$	\$	\$	\$
Funded projects	69,521	80,215	189,923	254,716
Sponsorships, donations and contributions, honoraria and fundraising gala	2,212	18,678	3,532	31,170
Publications, in-kind & Misc. revenue	-	439	163	2,292
	71,733	99,332	193,618	288,178
Expenses				
Programs expenses	87,892	114,830	247,355	385,231
Funded projects	72,868	87,153	181,275	233,792
Administration expense	30,726	42,200	86,979	143,189
Operating expenses	11,375	22,553	35,716	38,228
Board of Directors meetings	11,726	36,813	34,707	43,237
Conferences, symposia and consultations	759	4,576	4,728	6,836
Information systems and development	364	1,740	1,221	3,304
Award of Excellence symposium and fundraising gala	252	82,714	252	89,078
Finance cost	35	56	134	187
	215,997	392,635	592,367	943,081
Deficiency of revenues over expenses before net investment	(144,265)	(293,303)	(398,749)	(654,903)
Net investment income (loss) (note 11)	483,467	146,723	850,222	(844,522)
Excess (deficiency) of revenues over expenses	339,202	(146,580)	451,473	(1,499,425)

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

CANADIAN RACE RELATIONS FOUNDATION
UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS
Statement of Remeasurement Gains and Losses
Third quarter of fiscal year 2013-2014, ended December 31, 2013

	Three months ended 2013 December 31	Nine months ended 2013 December 31
Accumulated remeasurement gains , beginning of period	\$ 991,442	\$ 1,278,276
Unrealized gains (losses) attributable to:		
Portfolio investment in equity instruments quoted in an active market	440,125	605,766
Financial instruments designated to the fair value category	206,497	(153,674)
Amounts reclassified to the statement of operations:		
Portfolio investment in equity instruments quoted in an active market	(8,032)	108,517
Financial instruments designated to the fair value category	9,895	(18,075)
Accumulated remeasurement gains, end of period	1,639,927	1,639,926

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, 2013	Unrestricted	Invested in capital assets	Accumulated remeasurement gains (losses)	Endowment	Three-month ended December 31, 2013	Three-month ended December 31, 2012
	\$	\$	\$	\$	\$	\$
Net assets, beginning of period	(146,669)	68,564	991,442	24,000,000	24,913,338	24,442,690
Excess (deficiency) of revenues over expenses	339,202	-	-	-	339,202	(146,574)
Remeasurement gains	-	-	648,485	-	648,485	81,058
Net changes in invested in capital assets	(68,987)	68,987	-	-	-	-
Net assets, end of period	123,547	137,551	1,639,927	24,000,000	25,901,025	24,377,174
Nine-month ended December 31, 2013	Unrestricted	Invested in capital assets	Accumulated remeasurement gains (losses)	Endowment	Nine-month ended December 31 2013	Nine-month ended December 31 2012
	\$	\$	\$	\$	\$	\$
Net assets, beginning of period	(262,531)	72,155	1,278,275	24,000,000	25,087,899	24,408,273
Excess (deficiency) of revenues over expenses	451,473	-	-	-	451,473	(1,499,425)
Remeasurement gains (loss)	-	-	361,652	-	361,652	1,468,627
Net changes in invested in capital assets (note 12)	(65,396)	65,396	-	-	-	-
Net assets, end of period	123,546	137,551	1,639,927	24,000,000	25,901,025	24,377,475

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

CANADIAN RACE RELATIONS FOUNDATION
UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS
Statement of Cash Flows
Third quarter of fiscal year 2013-2014, ended December 31, 2013

	Three months ended		Nine months ended	
	2013 December 31	2012 December 31	2013 December 31	2012 December 31
	\$	\$	\$	\$
Operating activities:				
Excess (deficiency) of revenue over expenses	339,202	(146,580)	451,473	(1,499,425)
Items not affecting cash:				
Amortization	5,193	3,047	15,219	9,140
Realized (gains) losses on sale of investments (note 11)	(309,161)	(8,051)	(334,766)	1,424,960
	35,235	(151,584)	131,927	(65,325)
Changes in non-cash operating assets and liabilities:				
(Increase) decrease in prepaid expenses	2,642	(232)	4,858	(2,814)
(Increase) decrease in receivables and inventories	(45,468)	54,380	201,008	(5,303)
Increase (decrease) in accounts payable and accrued liabilities, accrued salaries and employees future benefits	9,831	63,906	(33,497)	39,206
Increase (decrease) in deferred contributions and deferred revenues	(666)	27,689	(20,779)	(59,355)
Net cash used in operating activities	1,575	(5,841)	283,518	(93,591)
Capital activities:				
Addition to capital assets	(1,442)	-	(6,729)	-
Repayment of capital lease obligations	(583)	(651)	(1,731)	(2,656)
Net cash used in capital activities	(2,024)	(651)	(8,459)	(2,656)
Investing activities:				
Proceeds from sale of investments	1,269,339	1,162,753	7,192,314	26,431,660
Purchase of investments	(1,348,959)	(1,277,360)	(8,087,871)	(25,924,689)
Net cash provided by investing activities	(79,620)	(114,607)	(895,557)	506,971
Increase in cash and cash equivalent	(80,069)	(121,099)	(620,499)	410,724
Cash and cash equivalent, beginning of period	2,551,004	925,191	3,091,432	393,368
Cash and cash equivalent, end of period	2,470,934	804,092	2,470,934	804,092

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

CANADIAN RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS

Third quarter of fiscal year 2013-2014, ended December 31, 2013

The unaudited quarterly financial statements should be read in conjunction with the March 31, 2013 audited financial statements of the Canadian Race Relations Foundation published in the 2012-2013 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 as it relates to harmonious race relations.

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 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. The same accounting policies and methods of computation are followed in the quarterly financial statements as compared to the March 31, 2013 Annual Audited Financial Statements.

3. Inventories:

The inventories on hand consist of the Foundation’s publications in hardcopy and DVD format package intended for resale. At December 31, 2013 the cost of inventories is \$3,445 (March 31 2013 - \$3,445).

4. Investments:

December 31, 2013	Fair Value
Fixed income investments - Canadian	\$ 10,954,730
Equity securities- Canadian	4,325,477
Equity securities- Foreign	8,051,646
	<hr/>
	\$ 23,331,853

CANADIAN RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS

Third quarter of fiscal year 2013-2014, ended December 31, 2013

4. Investments (continued):

<u>March 31, 2013</u>	<u>Fair Value</u>
Fixed income investments - Canadian	\$ 10,849,041
Equity securities- Canadian	3,832,456
Equity securities- Foreign	7,058,383
	<u>\$ 21,739,880</u>

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 December 31, 2013, the Foundation's investment portfolio investment asset mix was as follows:

	<u>Asset Mix</u>	<u>IPS*</u>	<u>Target Range Permitted</u>
Cash and cash equivalent	9.23%	0%	0% - 20%
Fixed Income	43.37%	55.0%	40% - 70%
Canadian Equities	17.01%	20.0%	10% - 30%
US and Global Equities	30.39%	25.0%	10% - 40%

* Investment Policy Statement

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.

CANADIAN RACE RELATIONS FOUNDATION
 SELECTED NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS
Third quarter of fiscal year 2013-2014, ended December 31, 2013

5. Financial risk management (continued):

(b) Credit risk:

Credit risk is the risk that the counterparty to a financial asset 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 credit rating information for December 31, 2013 was not available at the time of this report.

As at March 31, 2013 the Foundation was invested in fixed income securities with the following credit ratings:

Debt instrument by credit rating	Percentage of Value	
	2013	2012
AAA (+ R1 rated short-term)	31.0%	24.0%
AA	21.5%	26.9%
A	36.9%	33.8%
BBB	10.6%	7.0%
BB or less	-	8.3%

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
Third quarter of fiscal year 2013-2014, ended December 31, 2013

5. Financial risk management (continued):

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

	December 31 2013	March 31 2013
Government of Canada	\$ 97,176	\$ 223,334
Other organizations	29,847	104,699
	<u>\$ 127,025</u>	<u>\$ 328,033</u>

(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. Interest rate risk arises when the Foundation invests in interest-bearing financial assets. The Foundation is exposed to the risk that the value of such financial assets 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:

	December 31 2013	March 31 2013
Fixed income investments – Canadian	\$ 10,954,730	\$ 10,849,041
	<u>\$ 10,894,852</u>	<u>\$ 10,849,041</u>

CANADIAN RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS

Third quarter of fiscal year 2013-2014, ended December 31, 2013

5. Financial risk management (continued):

(d) Currency risk:

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

The Foundation is exposed to currency risk on its investment portfolio from the following currencies:

	Market Value(US\$)	% to total Market Value of Portfolios
December 31,2013	\$7,800,995	30.39
March 31, 2013	\$7,058,383	32.50

These amounts are based on the fair value of the Foundation's investments. Other financial assets and financial liabilities that are denominated in foreign currencies do not expose the Foundation to significant currency risk.

(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 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

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Third quarter of fiscal year 2013-2014, ended December 31, 2013

5. Financial risk management (continued):

the current year. As a result, the Foundation's long-term target asset allocation and individual asset class indices in effect as at December 31, 2013 is as follows:

Target Asset Allocation	Asset Class Index
50% Fixed Income (including cash and cash equivalent)	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\$)

(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, 2013 the Foundation has an unrestricted cash balance of \$237,861 which is in excess of the total liabilities recorded at December 31, 2013 of \$106,058.

As at December 31, 2013, 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	6,597	8,593	25,538	40,728
Salaries and benefits payable	22,607	-	-	22,607
Obligation under capital lease	583	1,786	639	3,008

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Third quarter of fiscal year 2013-2014, ended December 31, 2013**5. Financial risk management (continued):**

As at March 31, 2013, 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	50,407	6,046	14,790	71,243
Salaries and benefits payable	25,588	-	-	25,588
Obligation under capital lease	571	1,749	2,419	4,739

6. Capital assets:

Capital Assets at net book value as at December 31, 2013:

	Cost	Accumulated amortization	December 31 Net book value
Office furniture and equipment	\$ 117,223	\$ 114,458	\$ 2,765
Computer hardware	170,093	164,556	5,537
Leasehold improvements	42,988	6,448	36,539
Computer software	34,138	30,739	3,400
Database development	5,539	5,539	-
Artwork	16,225	-	16,225
Equipment under capital lease	11,254	7,315	3,939
	\$ 397,460	\$ 329,055	\$ 68,405

Amortization of capital assets expense is \$15,219.

Capital Assets at net book value as at March 31, 2013:

	Cost	Accumulated amortization	March 31 Net book value
Office furniture and equipment	\$ 116,725	\$ 113,771	\$ 2,954
Computer hardware	167,906	160,166	7,740
Leasehold improvements	40,805	-	40,805
Computer software	32,277	28,734	3,543
Database development	5,539	5,539	-
Artwork	16,225	-	16,225
Equipment under capital lease	11,254	5,627	5,627
	\$ 390,731	\$ 313,837	\$ 76,894

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Third quarter of fiscal year 2013-2014, ended December 31, 2013

7. Obligation under capital lease:

The Foundation 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 2013	March 31 2013
Obligation under capital lease	\$ 3,008	\$ 4,739

8. 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, 2013 are as follows:

	December 31 2013	March 31 2013
Deferred contributions from non-government Sources	\$ 34,615	\$ 40,615
Deferred revenues – goods and services	5,100	19,879
Balance, end of the period	\$ 39,715	\$ 60,494

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

	December 31 2013	March 31 2013
Balance, beginning of the period	\$ 60,494	\$ 216,294
Add: restricted contributions received from non-government sources	43,012	83,720
Less: amounts recognized as revenue	(63,091)	(239,520)
Balance, end of the period	\$ 39,795	\$ 60,494

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Third quarter of fiscal year 2013-2014, ended December 31, 2013

9. Endowment:

The net assets of the Foundation include an Endowment Fund of \$24,000,000, which is considered restricted funds. The original contribution which was part of the Redress Agreement included \$12,000,000 from 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 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.

10. Contractual obligations:

In addition to contractual obligations disclosed in note 13, the Foundation entered into a lease agreement for office premises commencing March 1, 2013 and expiring February 28, 2018. The Foundation is also committed to one office equipment lease.

The contractual obligations for the next five years are related to the operating leases and as at December 31, 2013 amounted to \$328,061 (March 31 2013 - \$ 384,153).

The following table summarizes the Foundation's contractual obligations as of December 31, 2013:

	2013/14	2014/15	2015/16	2016/17	2017/18	Total
Office premises	\$ 14,189	\$ 76,643	\$ 77,943	\$ 79,242	\$ 76,535	\$ 324,552
Office equipment	702	2,807	-	-	-	3,509
	\$ 14,891	\$ 79,450	\$ 77,943	\$ 79,242	\$ 76,535	\$ 328,061

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SELECTED NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS

Third quarter of fiscal year 2013-2014, ended December 31, 2013**11. Net investment income:**

	December 31 2013	December 31 2012
	\$	\$
Realized gains (losses) on sale of investments	334,766	(1,424,961)
Interest from cash and cash equivalent and fixed income investments, dividends, distributions from pooled fund units	633,484	684,588
Less: transaction costs and investment counsel fees	(118,028)	(104,149)
Net investment income (loss)	850,222	(844,522)

Net investment income earned on resources held for endowment

	December 31 2013	December 31 2012
	\$	\$
Realized gains (losses) on sale of investments recognized in the Statement of Operations in the period	334,766	(1,424,961)
Changes in fair value of investments recognized as direct increase (decrease) in net assets in the period	361,652	1,468,327
Total net investment income earned on resources held for endowment in the period	696,417	43,366

12. Invested in capital assets:

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

	December 31 2013	March 31 2013
	\$	\$
Capital assets	68,405	76,894
Less obligation under capital lease	(3,008)	(4,739)
	65,396	72,155

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 Third quarter of fiscal year 2013-2014, ended December 31, 2013

12 Invested in capital assets (continued):

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

	December 31 2013	March 31 2013
	\$	\$
Capital asset additions	\$ 6,729	41,725
Capital assets purchased with Foundation funds	6,729	41,725
Amortization of capital assets	(15,219)	(12,340)
Repayment of capital lease obligation	1,730	2,223
Net change in investment in capital assets	(6,760)	31,608

13. 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 period, the Foundation incurred expenses totaling \$123,845 (March 2013 - \$256,063) and recorded revenue of \$123,845 (March 31 2013 - \$ 298,583) with the Interfaith and Belonging project, funded by Citizenship and Immigration Canada.

The Foundation has \$223,368 contractual obligations with Citizenship and Immigration Canada for the Interfaith and Belonging project as at December 31, 2013 (March 31 2013- \$347,272).

The Foundation also has \$75,000 contractual obligations with National Film Board of Canada for the Interfaith and Belonging project as at December 31, 2013 (March 31 2013- \$100,000).

As at December 31, 2013, the Foundation had the following balances on the Statement of Financial Position related to the Interfaith and Belonging project, funded by Citizenship and Immigration Canada (CIC):

	December 31 2013	March 31 2013
Accounts receivable from CIC	\$ 88,959	\$ 178,119
Accounts payable to CIC	\$ 41,139	\$ 19,839