



Canadian
Race Relations
Foundation

Fondation
canadienne des
relations raciales

**Unaudited Interim Quarterly Financial Report
Third quarter of fiscal year 2014-2015, ended
December 31, 2014**

CANADIAN RACE RELATIONS FOUNDATION

Unaudited Interim Quarterly Financial Report Third quarter of fiscal year 2014-2015, ended December 31, 2014

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Financial Management Discussion and Analysis

Third quarter of fiscal year 2014-2015, ended December 31, 2014

Refer to Management's Discussion and Analysis as presented in the March 31, 2014 Annual Report at crr.ca. Updates for the quarter ended December 31, 2014 are as follows.

Statement of Financial Position Discussion

	2014 December 31 (Actual \$)	2014 March 31 (Actual \$)	Changes	
			\$	%
Assets				
Cash and cash equivalents	2,689,046	3,105,026	(415,980)	(13)
Investments	24,332,961	23,092,427	1,240,534	5.4
Prepaid expenses, receivables	320,567	2,187,560	(1,866,993)	(85)
Capital assets	39,611	46,968	(7,357)	(16)
Total Assets	27,382,185	28,431,981	(1,049,796)	(3.7)
Liabilities and Net Assets				
Accounts payable and accrued liabilities	99,926	1,962,589	(1,862,663)	(95)
Accrued salaries and employees future benefits payable	21,063	19,828	1,235	6
Deferred contributions and deferred revenues	38,515	39,415	(900)	(2)
Obligation under capital lease	614	2,419	(1,805)	(75)
Net assets	27,222,067	26,407,730	814,337	3.1
Total Liabilities and Net Assets	27,382,185	28,431,981	(1,049,796)	(3.7)

Cash is composed of cash at banks, cash equivalents in saving accounts in the investment portfolio, and cash balances held by the Foundation's investment managers. As at December 31, 2014 total cash in operating bank accounts amounted to \$4,973, cash equivalents in saving accounts amounted to \$2,109,928, and cash balances held by the Foundation's investment managers amounted to \$574,146.

Investments have increased 5.4% for the nine-month ended December 31, 2014 compared to the investment value at March 31, 2014. For the nine-month period ended December 31, 2014 the combined portfolio returned +5.47% or \$1,336,683 after all fees and taxes. The return rate excluding the remeasurement (unrealized) gains is 3.37% or \$830,099.

Statement of Financial Position Discussion (continued)

Prepaid expenses, receivables decreased \$1,866,993 compared to March 31, 2014. This is mainly for reversal of receivables (adjustment for cutoff date in 2013-14) from the Foundation's investment managers for proceeds from sale of investments at March 31, 2014.

The **Capital assets** decreased \$7,357 for the nine-month ended December 31, 2014 compared to March 31, 2014 as the result of addition of \$4,983 to asset and amortization of all assets of \$12,340.

Liabilities

Accounts payable and accrued liabilities decreased \$1,862,663 for the nine-month ended December 31, 2014 compared to March 31, 2014. This is mainly for reversal of payables (adjustment for cutoff date in 2013-14) to the Foundation's investment managers for purchase of investments at March 31, 2014.

Accrued salaries and employees future benefits payable increased \$1,235 for the nine-month ended December 31, 2014 compared to March 31, 2014.

Deferred contributions and deferred revenues decreased \$900 for the nine-month ended December 31, 2014 compared to March 31, 2014. This is due to decrease in rent inducement for the nine-month ended December 31, 2014.

Obligation under capital lease is the balance of capital repayment owed for the office equipment under lease of \$614 as at December 31, 2014.

Net Assets increased 3.1% in the nine-month ended December 31, 2014 compared to March 31, 2014 due to remeasurement (unrealized) gains on investments portfolio of \$506,584 and the excess of revenues over expenses of \$307,753 for the nine-month ended December 31, 2014.

Statement of Operations Discussion

Revenues	2014 December 31	2013 December 31	Changes	
	\$	\$	\$	%
Funded projects	283,476	189,923	93,553	49
Publications, in-kind & Miscellaneous revenues	5,365	3,532	1,833	52
Sponsorships, donations and contributions, honoraria and fundraising gala	12,053	163	11,890	7,294
Total Revenues	300,894	193,618	107,276	55
Net investment gain	2014 December 31	2013 December 31	Changes	
	\$	\$	\$	%
Investment income earned	520,978	506,518	14,460	2.9
Changes in fair value – realized	309,121	44,479	264,642	595
Net investment gain	830,099	550,997	279,102	51

Statement of Operations Discussion (continued)

Revenues from **Funded projects** for the nine-month ended December 31, 2014 is mainly from the Department of Citizenship and Immigration Canada for the “Our Canada” project.

Publications, in-kind and miscellaneous revenues are sale proceeds of the CRRF publications and conferences registration fees. This period revenues include \$6,000 compensation received by the Foundation for damages to its artwork.

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. This period revenues includes \$3,865 donation.

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, after portfolio management fees. Investment income earned for nine-month ended December 31, 2014 is \$520,978 and increased \$14,460 compared to December 31, 2013.

Changes in fair value realized of investments for nine-month ended December 31, 2014 include realized gain on sales of investments is \$309,121 and increased \$264,642 compared to December 31, 2013.

Unrealized gains (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, 2014 were \$506,584 gain compared to gain of \$ 573,652 in December 31, 2013, a decrease of \$67,068.

Expenses	2014	2013	Changes	
	December 31	September 30	\$	%
	\$	\$	\$	%
Salaries and benefits	299,534	267,812	31,722	12
Funded projects	285,210	181,275	103,935	57
Award of Excellence symposium and fundraising gala	94,255	252	94,002	n/a
Rent	61,698	44,809	16,890	38
Board of Directors honoraria and travel	38,185	34,707	3,478	10
Communication	27,618	21,713	5,905	27
Office and general, conference, symposium and others	13,934	41,247	(27,314)	(66)
Professional fees	2,806	552	2,254	408
Total Expenses	823,240	592,367	230,873	39

Statement of Operations Discussion (continued)

The Foundation's total expenses is \$823,240 for the nine-month ended December 31, 2014 with the three main users of funds being salaries and benefits, funded projects and Award of Excellence symposium and fundraising gala, totaling \$299,534, \$285,210 and \$94,255 respectively.

There was \$31,722 increase in **salaries and benefits** and \$103,935 increase in **funded projects** and \$94,002 increase in **Award of Excellence symposium and fundraising gala** expenses compared to December 31, 2013.

The increase in the salaries and benefits is mainly due to hiring of vacant positions. The increase in the funded projects is mainly due to implementation of the "Our Canada" project in this period.

The Award of Excellence symposium and fundraising gala is an event held every other year. In November 2014 the Foundation held its ninth Award of Excellence symposium in Ottawa, Ontario to recognize achievement and Best Practices in equity and anti-racism. Total cost of the event was \$94,255 and total revenue for the event from sponsorships, contributions and ticket sale were \$22,700.

The increase of \$16,890 in **rent** is due to addition of property tax to the monthly rent by the landlord starting in 2014. .

Honoraria and expenses for the Board of Directors increased \$3,478 for the nine-month ended December 31, 2014. There was one Director's face to face and one teleconference meetings in this period.

The **communications** expenses increased \$5,905 for the nine-month ended December 31, 2014 compared to December 31, 2013 mainly due to increase in media works and news release.

Office and general, conference, symposium and others expenses decreased \$27,314 in the nine-month ended December 31, 2014 compared to December 31, 2013 mainly due administration fee received for the funded projects.

Professional fees are for legal, accounting and corporate services fees and had no significant changes compared to December 31, 2013.

Outlook: Fiscal Year 2014-2015

The Canadian Race Relations Foundation continues to fund its core programs and operations through the investment income from its endowment fund. In July 2014 the Foundation signed an agreement with Citizenship and Immigration Canada to fund "Our Canada", a three-year initiative to heighten awareness, understanding and respect for Canadian values and traditions that will culminate in the historic opportunity to celebrate them as part of Canada's Sesquicentennial in 2017.

Outlook: Fiscal Year 2014-2015 (continued)

An agreement will be signed with Halton District School Board in January 2015 to deliver Foundation's course to system leaders in four training sessions in January, 2015.

The Canadian Race Relations Foundation is launching a six-city tour, *The Urban Agenda: Race Relations and Multiculturalism in Canadian Cities*. The first will be held with a capacity crowd in Toronto's City Hall Council Chambers on Tuesday, January 20, 2015.

The Foundation's programs and activities are designed in accordance with the Foundation's 2014 to 2017 Strategic Plan. This Plan continues the forward momentum of the CRRF, building on the successes of the past, and challenging the Foundation to move forward with technological and programmatic advances. While the strategy advances the Foundation in alignment with contemporary issues of race relations, it represents a legacy of commitment to the CRRF's central purpose as set out in the Canadian Race Relations Foundation Act 1991.

Core Goals in the Strategic Plan are:

- 1. A National Voice;** Research and report, and give voice to, the current issues that impact Canada's democratic principles and multiculturalism policies.
- 2. Information and Education;** Provide credible public information and resources that support the advancement of our collective understanding of Canadian values and identity.
- 3. Agent of Change;** Foster a positive commitment to Canadian values by addressing conflicting attitudes openly and in partnership with agencies, organizations and individuals who share core values.

The Foundation has an approved operating revenues budget of \$1,535,000 and expenditures budget of \$1,613,500 for 2014-15. The approved budget for the year is closely monitored by senior management and the Board of Directors. Budget variance reports are reviewed and monitored on a 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 on the Foundation website.

CANADIAN RACE RELATIONS FOUNDATION

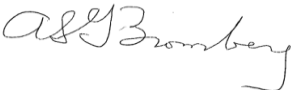
Unaudited Interim Quarterly Financial Report

For the nine months ended DECEMBER 31, 2014

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.



Anita Bromberg
Executive Director

February 15, 2015



Arsalan Tavassoli MA, CPA, CGA
Finance and Administration Director

February 15, 2015

CANADIAN RACE RELATIONS FOUNDATION
UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS
Statement of Financial Position
As at December 31, 2014

	2014	2014
	December 31	March 31
	\$	\$
Assets		
Current Assets		
Cash and cash equivalents (note 3)	2,689,046	3,105,026
Prepaid expenses	8,251	14,387
Receivables	312,316	2,173,173
Investments (note 4)	448,887	665,720
	<u>3,458,500</u>	<u>5,958,306</u>
Investments (note 4)	23,884,074	22,426,707
Capital assets (note 6)	<u>39,611</u>	<u>46,968</u>
	<u>27,382,185</u>	<u>28,431,981</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	99,926	1,962,589
Accrued salaries	21,063	19,828
Deferred contributions and deferred revenues (note 8)	38,515	39,415
	<u>159,503</u>	<u>2,021,832</u>
Obligation under capital lease (note 7)	<u>614</u>	<u>2,419</u>
	<u>160,118</u>	<u>2,024,251</u>
Net assets:		
Unrestricted	608,710	295,404
Invested in capital assets (note 12)	38,997	44,549
Accumulated remeasurement gains	2,574,361	2,067,777
Restricted for endowment purposes (note 9)	24,000,000	24,000,000
	<u>27,222,067</u>	<u>26,407,730</u>
	<u>27,382,185</u>	<u>28,431,981</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	
	2014 December 31	2013 December 31	2014 December 31	2013 December 31
Revenues	\$	\$	\$	\$
Funded projects	187,581	69,521	283,476	189,923
Publications, in-kind & Misc. revenue	6,053	-	12,053	163
Sponsorships, donations and contributions, honoraria and fundraising gala	3,365	2,212	5,365	3,532
	196,999	71,733	300,894	193,618
Expenses				
Funded projects	188,568	72,868	285,210	181,275
Award of Excellence symposium and fundraising gala	90,635	252	94,255	252
Programs expenses	77,229	87,892	286,849	247,355
Administration expense	27,689	30,726	102,002	86,979
Board of Directors meetings	26,509	11,726	38,185	34,707
Conferences, symposia and consultations	14,024	759	12,350	4,728
Information systems and development	1,793	364	3,794	1,221
Staff recruitment and development	801	-	1,673	-
Public Education	-	-	145	-
Finance cost	30	35	296	133
Education and training	-	-	1,213	-
Operating expenses	(903)	11,375	(2,730)	35,716
	426,374	215,997	823,240	592,367
Deficiency of revenues over expenses before net investment gain	(229,375)	(144,265)	(522,346)	(398,749)
Net investment income gain (note 11)	371,802	483,467	830,099	850,222
Excess of revenues over expenses	142,427	339,202	307,753	451,473

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

	Three months ended		Nine months ended	
	2014	2013	2014	2013
	December 31	December 31	December 31	December 31
	\$	\$	\$	\$
Accumulated remeasurement gains , beginning of period	2,504,913	991,442	2,067,777	1,278,275
Unrealized gains (losses) attributable to:				
Portfolio investment in equity instruments quoted in an active	7,294	440,125	729,274	605,766
Financial instruments designated to the fair value category	194,810	206,497	86,431	-153,674
Amounts reclassified to the statement of operations:				
Portfolio investment in equity instruments quoted in an active	-145,385	-8,032	-402,610	-108,515
Financial instruments designated to the fair value category	12,729	9,895	93,489	18,075
Accumulated Remeasurement gains (loss) for the period	69,448	648,485	506,584	361,652
Accumulated Remeasurement gains (losses), end of period	2,574,361	1,639,927	2,574,361	1,639,927
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, 2014	Unrestricted	Invested in capital assets	Accumulated remeasurement gains (losses)	Endowment	Three-month ended December 31, 2014	Three-month ended December 30, 2013
	\$	\$	\$	\$	\$	\$
Net assets, beginning of period	464,624	40,655	2,504,913	24,000,000	27,010,193	24,913,337
Excess of revenues over expenses	142,427	-	-	-	142,427	339,203
Remeasurement gains	-	-	69,448	-	69,448	648,485
Net changes in invested in capital assets (note 12)	1,659	(1,659)	-	-	-	-
Net assets, end of period	608,710	38,997	2,574,361	24,000,000	27,222,067	25,901,025
Nine-month ended December 31, 2014	Unrestricted	Invested in capital assets	Accumulated remeasurement gains (losses)	Endowment	Nine-month ended December 31, 2014	Nine-month ended December 31, 2013
	\$	\$	\$	\$	\$	\$
Net assets, beginning of period	295,405	44,549	2,067,777	24,000,000	26,407,730	25,087,899
Excess of revenues over expenses	307,753	-	-	-	307,753	451,473
Remeasurement gains	-	-	506,584	-	506,584	361,652
Net changes in invested in capital assets (note 12)	5,552	(5,552)	-	-	-	-
Net assets, end of period	608,710	38,997	2,574,361	24,000,000	27,222,067	25,901,025
March 31 2014	Unrestricted	Invested in capital assets	Accumulated remeasurement gains (losses)	Endowment	2014	
	\$	\$	\$	\$	\$	
Net assets, beginning of year	(350,984)	72,155	1,366,728	24,000,000	25,087,899	
Excess of revenues over expense	618,782	-	-	-	618,782	
Remeasurement gains (losses)	-	-	701,049	-	701,049	
Net changes in invested in capital assets (note 12)	27,606	(27,606)	-	-	-	
Net assets, end of year	295,405	44,549	2,067,777	24,000,000	26,407,730	

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

CANADIAN RACE RELATIONS FOUNDATION
UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS
Statement of Cash Flows

	Three months ended		Nine months ended	
	2014 December 31	2013 December 31	2014 December 31	2013 December 31
			\$	\$
Operating activities:				
Excess of revenue over expenses	142,427	339,202	307,753	451,473
Items not affecting cash:				
Amortization	4,328	5,194	12,340	15,219
Realized (gains) losses on sale of investments (note 11)	(134,556)	(309,161)	(264,249)	(334,766)
	12,198	35,235	55,844	131,927
Changes in non-cash operating assets and liabilities:				
Decrease (Increase) in prepaid expenses	2,551	2,642	2,029	4,858
Decrease (Increase) in receivables	(171,872)	(45,468)	1,860,858	201,008
Increase (decrease) in accounts payable and accrued liabilities, accrued salaries	62,227	9,832	(1,861,429)	(33,497)
Increase (decrease) in deferred contributions and deferred revenues	(300)	(666)	(900)	(20,779)
Net cash provided by (used in) operating activities	(95,196)	1,575	56,401	283,517
Capital activities:				
Addition to capital assets	(2,062)	(1,442)	(4,983)	(6,729)
Net cash used in capital activities	(2,062)	(1,442)	(4,983)	(6,729)
Investing activities:				
Proceeds from sale of investments	2,168,883	1,269,339	10,159,658	7,192,316
Purchase of investments	(2,299,615)	(1,348,959)	(10,625,252)	(8,087,871)
Net cash used in investing activities	(130,733)	(79,620)	(465,594)	(895,555)
Financing activities:				
Repayment of capital lease obligations	(608)	(583)	(1,805)	(1,731)
Net cash used in capital activities	(608)	(583)	(1,805)	(1,731)
Decrease in cash and cash equivalents	(228,599)	(80,070)	(415,980)	(620,498)
Cash and cash equivalents, beginning of period	2,917,645	2,551,004	3,105,026	3,091,432
Cash and cash equivalents, end of period	2,689,046	2,470,934	2,689,046	2,470,934

The accompanying notes are an integral part of the financial statements

RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

Third quarter of fiscal year 2014-2015, ended December 31, 2014

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, 2014 Annual Audited Financial Statements.

3. Cash and Cash Equivalents

Restricted and unrestricted cash and cash equivalents include cash balances with banks, investment saving accounts in the investment portfolio, and cash balances held by investment managers in the Foundation’s investment accounts.

Restricted cash and restricted cash equivalents are tied to the endowment fund as described in note 9 and are held for investment purposes only.

Cash and cash equivalents consisted of the following	December 31 2014	March 31 2014
	\$	\$
Cash - unrestricted	45,712	125,152
Cash - restricted	533,407	650,909
Cash equivalents - unrestricted	1,707,535	97,453
Cash equivalents - restricted	402,393	2,231,512
Total cash and cash equivalents	2,689,046	3,105,026

The carrying amount of these assets approximates their fair value.

CANADIAN RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

Third quarter of fiscal year 2014-2015, ended December 31, 2014

4. Investments:

December 31, 2014	Current Amount	Non Current Amount	Total Investments
Fixed income investments - Canadian	\$ 448,887	\$ 10,342,715	\$ 10,791,602
Equity securities- Canadian	-	4,960,330	4,960,330
Equity securities- Foreign	-	8,581,029	8,581,029
	\$ 448,887	\$ 23,884,074	\$ 24,332,961

March 31, 2014	Current Amount	Non Current Amount	Total Investments
Fixed income investments - Canadian	\$ 665,720	\$ 9,721,244	\$ 10,386,964
Equity securities- Canadian	-	5,121,920	5,121,920
Equity securities- Foreign	-	7,583,543	7,583,543
	\$ 665,720	\$ 22,426,707	\$ 23,092,427

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.

CANADIAN RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

Third quarter of fiscal year 2014-2015, ended December 31, 2014

5. Financial risk management (continued):

(a) Asset Mix:

As of December 31, 2014, the Foundation's investment portfolio investment asset mix was as follows:

- 49.87% in Cash and cash equivalents and Fixed Income (March 31 2014 – 51.33%)
- 18.36% in Canadian Equities (March 31, 2014 – 19.63%)
- 31.76% in Global Equities (March 31 2014 – 29.04%)

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 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, 2014 was not available at the time of this report.

As at March 31, 2014 the Foundation was invested in fixed income securities with the following credit ratings:

	Percentage of Value	
Debt instrument by credit rating	March 31 2014	March 31 2013
AAA (+ R1 rated short-term)	31.40%	31.0%
AA	18.10%	21.5%
A	39.33%	36.9%
BBB	11.17%	10.6%

CANADIAN RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

Third quarter of fiscal year 2014-2015, ended December 31, 2014

5. Financial risk management (continued):

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 December 31, 2014 is as follows:

	December 31 2014	March 31 2014
Government of Canada	\$ 228,122	\$ 231,939
Other organizations	84,194	1,941,234
	\$ 312,316	\$ 2,173,173

(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.

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Third quarter of fiscal year 2014-2015, ended December 31, 2014

5. Financial risk management (continued):

The Foundation's fixed income fair value investments comprise:

	December 31 2014	March 31 2014
Fixed income investments – Canadian	\$ 10,791,602	\$ 10,386,964
	\$ 10,791,602	\$ 10,386,964

(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 currency:

December 31 2014	USD (\$)	March 31 2014	USD (\$)
Market Value	\$ 7,710,483	Market Value	\$7,583,543
% of Portfolio	31.68%	% of Portfolio	32.84%

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.

As at December 31, 2014, if the Canadian dollar strengthened or weakened by 1% in relation to other currencies, with all other variables held constant, operating results and net assets would have an increase or decrease, respectively, by approximately:

	December 31 2014 Increase in value	December 31 2014 Decrease in value	March 31 2014 Increase in value	March 31 2014 Decrease in value
US dollars	77,105	(77,105)	75,834	(75,834)

In practice, actual results may differ from the above sensitivity analysis and the difference could be material.

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5. Financial risk management (continued):

(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 2013-2014 fiscal year was in force during 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, 2014 is as follows:

Target Asset Allocation	Asset Class Index
50% Fixed Income (including cash and cash equivalents)	DEX Universe Bond Index (DEX 91-day T-Bill Index for cash)
22% Canadian equities	S&P TSX Composite Index
28% Global equities	S&P 500 Index (C\$)
	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, 2014 the Foundation has a total cash and cash equivalents balance of \$ 2,689,046 (March 31 2014 - \$3,105,026), which is in excess of the total liabilities recorded at December 31, 2014 of \$160,118 (March 31 2014 - \$2,024,251).

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5. Financial risk management (continued):**As at December 31, 2014**, 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	87,449	731	11,746	99,926
Salaries and benefits payable	21,063	-	-	21,063
Obligation under capital lease	614	n/a	n/a	614

As at March 31, 2014, 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	1,949,145	2,547	10,897	1,962,589
Salaries and benefits payable	19,828	-	-	19,828
Obligation under capital lease	595	1,824	n/a	2,419

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Third quarter of fiscal year 2014-2015, ended December 31, 2014**6. Capital assets:**

Capital Assets at net book value as at December 31, 2014:

	Cost	Accumulated amortization	December 31 Net book value
Office furniture and equipment	\$ 117,514	114,928	2,586
Computer hardware	174,702	168,981	5,721
Leasehold improvements	42,988	15,046	27,942
Computer software	34,055	32,381	1,674
Database development	5,539	5,539	-
Equipment under capital lease	11,254	9,566	1,688
	\$ 386,052	\$ 346,441	\$ 39,611

Amortization of capital assets expense is \$12,340.

Capital Assets at net book value as at March 31, 2014:

	Cost	Accumulated amortization	March 31 Net book value
Office furniture and equipment	\$ 117,223	114,687	2,536
Computer hardware	170,010	166,006	4,004
Leasehold improvements	42,988	8,598	34,390
Computer software	34,055	31,393	2,662
Database development	5,539	5,539	-
Equipment under capital lease	11,254	7,878	3,376
	\$ 381,069	\$ 334,101	\$ 46,968

Amortization of capital assets expense is \$20,264 (2013 - \$12,340).

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Third quarter of fiscal year 2014-2015, ended December 31, 2014

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 2014	March 31 2014
Obligation under capital lease	\$ 614	\$ 2,419

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, 2014 are as follows:

	December 31 2014	March 31 2014
Deferred contributions from non-government Sources	\$ 38,515	\$ 39,415
Balance, end of the period	\$ 38,515	\$ 39,415

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

	December 31 2014	March 31 2014
Balance, beginning of the period	\$ 39,415	\$ 60,494
Add: restricted contributions received from non-government sources	-	33,883
Less: amounts recognized as revenue	(900)	(54,962)
Balance, end of the period	\$ 38,515	\$ 39,415

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Third quarter of fiscal year 2014-2015, ended December 31, 2014

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, 2014 amounted to \$316,881 (March 31 2014 - \$380,218).

The following table summarizes the Foundation's contractual obligations as of December 31, 2014:

	2014/15	2015/16	2016/17	2017/18	Total
Office premises	\$33,374	\$95,792	\$97,065	\$90,036	\$316,267
Office equipment	\$614		-		\$614
	\$33,988	\$95,792	\$97,065	\$90,036	\$316,881

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SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

Third quarter of fiscal year 2014-2015, ended December 31, 2014

11. Net investment income:

	December 31 2014	December 31 2013
	\$	\$
Realized gains on sale of investments	264,249	35,540
Interest from cash and cash equivalents and fixed income investments, dividends	694,360	633,484
Less: transaction costs and investment counsel fees	(128,511)	(118,028)
Net investment income	830,099	550,997

Net investment income earned on resources held for endowment

	December 31 2014	December 31 2013
	\$	\$
Realized gains on sale of investments recognized in the Statement of Operations in the period	264,249	35,540
Changes in fair value of investments recognized as direct increase in net assets in the period	506,584	573,652
Total net investment income earned on resources held for endowment in the period	770,834	609,192

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Third quarter of fiscal year 2014-2015, ended December 31, 2014

12. Invested in capital assets:

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

	December 31 2014	March 31 2014
	\$	\$
Capital assets	39,611	46,968
Less obligation under capital lease	(614)	(2,419)
	38,997	44,549

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

	December 31 2014	March 31 2014
	\$	\$
Capital asset additions	4,983	6,563
Capital assets purchased with Foundation funds	4,983	6,563
Artworks written-off from capital assets	-	(16,225)
Amortization of capital assets	(12,340)	(20,264)
Repayment of capital lease obligation	1,805	2,320
Net change in investment in capital assets	(5,553)	(27,606)

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 recorded revenue of \$275,476 (December 31, 2013 - \$ 103,903) with projects funded by Citizenship and Immigration Canada.

The Foundation has \$1,798,025 contractual obligations with Citizenship and Immigration Canada for the Our Canada project as at December 31, 2014 (March 31 2014- nil).

The Foundation incurred expenses totaling \$38,185 (December 31, 2013 - \$34,707) with respect to travel and honorarium of members of the board of directors.

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As at December 31, 2014, the Foundation had the following balances on the Statement of Financial Position related to projects, funded by Citizenship and Immigration Canada (CIC):

	December 31 2014	March 31 2014
Accounts receivable from CIC	\$ 203,437	\$ 140,341
Holdback receivable from CIC	-	\$ 69,380

14. Schedule of Expenses by Object:

	December 31, 2014	December 31, 2013
Expenses		
Salaries and benefits	299,534	267,812
Funded projects	285,210	181,275
Award of Excellence symposium and fundraising gala	94,255	252
Rent	61,698	44,809
Board of Directors honoraria and travel	38,185	34,707
Communication	27,618	21,713
Conferences, symposia and consultations	12,350	4,728
Amortization	12,340	15,219
Information systems and development	3,794	1,221
Professional fees	2,806	552
Staff recruitment and development	1,673	-
Public education	1,213	-
Interest expenses	296	134
Education and training center	145	-
Office and general	(17,877)	19,944
	823,240	592,367