



Canadian  
Race Relations  
Foundation

Fondation  
canadienne des  
relations raciales

**Unaudited Quarterly Financial Report  
First quarter of fiscal year 2014-2015 ended  
June 30, 2014**

# CANADIAN RACE RELATIONS FOUNDATION

## Unaudited Quarterly Financial Report First quarter of fiscal year 2014-2015, ended June 30, 2014

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## Financial Management Discussion and Analysis

### First quarter of fiscal year 2014-2015, ended June 30, 2014

Refer to Management's Discussion and Analysis as presented in the March 31, 2014 Annual Report. Updates for the quarter ended June 30, 2014 are as follows.

#### Statement of Financial Position Discussion

	2014 June 30 (Actual \$)	2014 March 31 (Actual \$)	Changes	
			\$	%
<b>Assets</b>				
Cash and cash equivalents	3,699,161	3,105,026	594,134	19
Investments	23,118,241	23,092,427	25,814	0.1
Prepaid expenses, receivables	109,169	2,187,560	(2,078,391)	(95)
Capital assets	43,020	46,968	(3,948)	(8)
<b>Total Assets</b>	<b>26,969,591</b>	<b>28,431,981</b>	<b>(1,462,390)</b>	<b>(5.1)</b>
<b>Liabilities and Equity</b>				
Accounts payable and accrued liabilities	42,986	1,962,589	(1,919,603)	(98)
Accrued salaries and employees future benefits payable	12,478	19,828	(7,350)	(37)
Deferred contributions and deferred revenues	39,115	39,415	(300)	(1)
Obligation under capital lease	1,824	2,419	(595)	(25)
Net assets	26,873,188	26,407,730	465,458	2
<b>Total Liabilities and Net Assets</b>	<b>26,969,591</b>	<b>28,431,981</b>	<b>(1,462,390)</b>	<b>(5.1)</b>

**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 June 30, 2014 total cash in operating bank accounts amounted to \$66,973, cash equivalents in saving accounts amounted to \$2,328,965, and cash balances held by the Foundation's investment managers amounted to \$1,303,222.

**Investments** have increased 0.1% for the three-month ended June 30, 2014 compared to the investment value at March 31, 2014. For the three-month period ended June 30, 2014 the combined portfolio returned +3% or \$604,318 after all fees and taxes. The return rate excluding the remeasurement (unrealized) gains is 0.89% or \$206,069.

**Prepaid expenses, receivables** decreased \$2,078,391 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 \$3,948 for the three-month ended June 30, 2014 compared to March 31, 2014 as the result of amortization of all assets of \$3,948.

## Statement of Financial Position Discussion (continued)

### Liabilities

**Accounts payable and accrued liabilities** decreased \$1,919,603 for the three-month ended June 30, 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** decreased \$7,350 for the three-month ended June 30, 2014 compared to March 31, 2014.

**Deferred contributions and deferred revenues** decreased \$300 for the three-month ended June 30, 2014 compared to March 31, 2014. This is due to decrease in rent inducement for the three-month ended June 30, 2014.

**Obligation under capital lease** is the balance of capital repayment owed for the office equipment under lease of \$1,824 as at June 30, 2014.

**Net Assets** increased 2% in the three-month ended June 30, 2014 compared to March 31, 2014 due to remeasurement (unrealized) gains on investments portfolio of \$315,760 and the excess of revenues over expenses of \$149,697 for the three-month ended June 30, 2014.

### Statement of Operations Discussion

Revenues	2014 June 30	2013 June 30	Changes	
	\$	\$	\$	%
Funded projects	8,000	81,161	(73,161)	(90)
Publications, in-kind & Miscellaneous revenues	2,070	163	1,907	1,170
Sponsorships, donations and contributions, honoraria and fundraising gala	-	1,200	(1,200)	(100)
<b>Total Revenues</b>	<b>10,070</b>	<b>82,524</b>	<b>(72,454)</b>	<b>(88)</b>
Net investment gain (loss)	2014 June 30	2013 June 30	Changes	
	\$	\$	\$	%
Investment income earned	105,183	159,901	(54,718)	(34.2)
Changes in fair value -realized	60,787	(114,388)	175,175	(153)
<b>Net investment gain( loss)</b>	<b>165,970</b>	<b>45,513</b>	<b>120,457</b>	<b>265</b>

Revenues from **Funded projects** represent payments received by the Foundation from the Ontario School Boards for training workshops on "the Foundations of Equity and Anti-Racism in Education program" of \$8,000. The June 30, 2013 revenues was mainly from the Department of Citizenship and Immigration Canada for "the Interfaith and Belonging" and from the Ontario

## Statement of Operations Discussion (continued)

Ministry of Education for “the Diversity and Equity Leadership Institute (DELI) for Ontario School System Leaders” project which both projects ended in the prior year.

**Publications, in-kind and miscellaneous revenues** are sale proceeds of the CRRF publications and conferences registration fees. This period revenues include a \$2,070 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.

**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 three-month ended June 30, 2014 decreased \$54,718 compared with three-month ended June 30, 2013.

**Changes in fair value realized** of investments for three-month ended June 30, 2014 include realized gain on sales of investments of \$60,787 compared with realized loss of \$114,388 in the three-month ended June 30, 2013. The June 30, 2013 loss was mainly for sale of investment equities.

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 three-month ended June 30, 2014 were \$398,249 gain compared to loss of \$329,385 in June 30, 2013.

Expenses	2014 June 30	2013 June 30	Changes	
	\$	\$	\$	%
Salaries and benefits	94,304	68,444	25,859	38
Rent	20,566	16,073	4,493	28
Communication	13,234	7,934	5,300	67
Office and general, conference, symposium and others	8,002	14,769	(6,767)	(46)
Funded projects	6,069	69,616	(63,547)	(91)
Board of Directors honoraria and travel	4,205	3,156	1,050	33
Professional fees	-	331	(331)	(100)
<b>Total Expenses</b>	<b>148,930</b>	<b>180,323</b>	<b>(31,393)</b>	<b>(17)</b>

The Foundation’s total expenses is \$146,860 for the three-month ended June 30, 2014 with the three main users of funds being salaries and benefits, rent and communications, totaling \$94,303, \$20,566 and \$13,234 respectively.

## Statement of Operations Discussion (continued)

There was \$25,860 increase in **salaries and benefits** and \$4,493 in **rent** expenses and \$5,300 in **communication** expenses compared to June 30, 2013. The increase in the salaries and benefits is mainly due to holding a project personnel for Our Canada project which will start in July 2014. The increase in rent is due to addition of property tax to the monthly rent by the landlord starting in 2014. The increase in communications is mainly due to website enhancement and increase in media works and news release.

**Office and general, conference, symposium and others expenses** decreased \$6,767 in the three-month ended June 30, 2014 compared to June 30, 2013 mainly due to a \$2,500 credit adjustment to the prior year conference expenses and the administration fees received for the funded project.

**Professional fees** are for legal, accounting and corporate services fees and had no significant changes compared to June 30, 2013.

Honoraria and expenses for the **Board of Directors** increased \$1,050 for the three-month ended June 30, 2014. There was one Director's teleconference meeting in this period.

### **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 will enter into 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.

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.

In July 2014 the Foundation will announce hiring of three new contract positions for the Our Canada project and three new permanent positions for its programs and activities in accordance with its recently adopted 2014 to 2017 Strategic Plan, which continues the forward momentum of the Foundation, building on the successes of the past, and challenging the Foundation to move forward with technological and programmatic advances. While the Strategic Plan advances the Foundation in alignment with contemporary issues of race relations, it represents a legacy of commitment to the Canadian Race Relations Foundation's central purpose as set out in the Canadian Race Relations Foundation Act 1991 based on its business plan.

**CANADIAN RACE RELATIONS FOUNDATION**

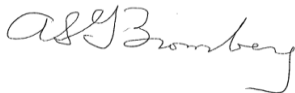
**Unaudited Quarterly Financial Report**

**For the three months ended June 30, 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

August 29, 2014



Arsalan Tavassoli MA, CPA, CGA  
Finance and Administration Director

August 29, 2014

**CANADIAN RACE RELATIONS FOUNDATION**  
**UNAUDITED QUARTERLY FINANCIAL STATEMENTS**  
**Statement of Financial Position**  
**As at June 30, 2014**

	<b>2014</b>	<b>2014</b>
	<b>June 30</b>	<b>March 31</b>
	\$	\$
<b>Assets</b>		
Current Assets		
Cash and cash equivalents (note 3)	3,699,161	3,105,026
Prepaid expenses	8,676	14,387
Receivables	100,493	2,173,173
Investments (note 4)	194,231	665,720
	<u>4,002,561</u>	<u>5,958,306</u>
Investments (note 4)	22,924,010	22,426,707
Capital assets (note 6)	43,020	46,968
	<u><b>26,969,591</b></u>	<u><b>28,431,981</b></u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued liabilities	42,986	1,962,589
Accrued salaries	12,478	19,828
Deferred contributions and deferred revenues (note 8)	39,115	39,415
	<u>94,579</u>	<u>2,021,832</u>
Obligation under capital lease (note 7)	1,824	2,419
	<u>96,403</u>	<u>2,024,251</u>
<b>Net assets:</b>		
Unrestricted	325,867	295,404
Invested in capital assets (note 12)	41,196	44,549
Accumulated remeasurement gains	2,506,125	2,067,777
Restricted for endowment purposes (note 9)	24,000,000	24,000,000
	<u>26,873,188</u>	<u>26,407,730</u>
	<u><b>26,969,591</b></u>	<u><b>28,431,981</b></u>

Contractual obligations (note 10)

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



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

	<b>Three months ended</b>	
	<b>2014</b>	<b>2013</b>
	<b>June 30</b>	<b>June 30</b>
<b>Revenues</b>	\$	\$
Funded projects	8,000	81,161
Publications, in-kind & Miscellaneous revenue	2,070	163
Sponsorships, donations and contributions, honoraria and fundraising gala	-	1,200
	<b>10,070</b>	<b>82,524</b>
<b>Expenses (note 13)</b>		
Programs expenses	94,684	68,128
Funded projects	8,619	69,616
Administration expense	33,421	24,323
Operating expenses	9,461	10,905
Board of Directors meetings	4,205	3,156
Information systems and development	754	702
Staff recruitment and development	70	-
Finance cost	47	269
Conferences, symposia and consultations	(2,329)	3,225
	<b>148,930</b>	<b>180,323</b>
Deficiency of revenues over expenses before net investment gain (loss)	(138,860)	(97,800)
Net investment gain (note 11)	165,970	45,513
<b>Excess (deficiency) of revenues over expenses</b>	<b>27,110</b>	<b>(52,287)</b>

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**  
**First quarter of fiscal year 2013-2014, ended June 30, 2014**

	2014 June 30	2013 June 30
	\$	\$
Accumulated remeasurement gains, beginning of period	2,067,777	1,278,276
<b>Unrealized gains (losses) attributable to:</b>		
Portfolio investment in equity instruments quoted in an active market	438,348	(500,862)
Financial instruments designated to the fair value category	-	95,443
<b>Amounts reclassified to the statement of operations:</b>		
Portfolio investment in equity instruments quoted in an active market	-	-
Financial instruments designated to the fair value category	-	61,286
Accumulated Remeasurement gains (loss) for the period	438,348	(344,133)
<b>Accumulated Remeasurement gains, end of period</b>	<b>2,506,125</b>	<b>934,143</b>

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**  
**First quarter of fiscal year 2014-2015, ended June 30, 2014**

<b>June 30 2014</b>	Unrestricted	Invested in capital assets	Accumulated remeasurement gains (losses)	Endowment	June 30 2014
	\$	\$	\$	\$	\$
Net assets, beginning of period	295,404	44,549	2,067,777	24,000,000	26,407,730
Excess of revenues over expenses	27,110	-	-	-	27,110
Remeasurement gains	-	-	438,348	-	438,348
Net changes in invested in capital assets (note 12)	3,353	(3,353)	-	-	-
<b>Net assets, end of period</b>	<b>325,867</b>	<b>41,196</b>	<b>2,506,125</b>	<b>24,000,000</b>	<b>26,873,188</b>

<b>March 31 2014</b>	Unrestricted	Invested in capital assets	Accumulated remeasurement gains (losses)	Endowment	March 31 2014
	\$	\$	\$	\$	\$
Net assets, beginning of year	(350,984)	72,155	1,366,728	24,000,000	25,087,899
Deficiency of revenues over expenses	618,782	-	-	-	618,782
Remeasurement gains	-	-	701,049	-	701,049
Net changes in invested in capital assets (note 12)	27,606	(27,606)	-	-	-
<b>Net assets, end of period</b>	<b>295,404</b>	<b>44,549</b>	<b>2,067,777</b>	<b>24,000,000</b>	<b>26,407,730</b>

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

**CANADIAN RACE RELATIONS FOUNDATION**  
**UNAUDITED QUARTERLY FINANCIAL STATEMENTS**  
**Statement of Cash Flows**  
**First quarter of fiscal year 2014-2015, ended June 30, 2014**

	<b>Three months ended</b>	
	<b>2014 June 30</b>	<b>2013 June 30</b>
	\$	\$
<b>Operating activities:</b>		
Excess (deficiency) of revenue over expenses	27,110	(52,287)
Items not affecting cash:		
Amortization	3,948	5,013
Realized (gains) losses on sale of investments (note 11)	(20,688)	99,118
	10,370	51,844
<b>Changes in non-cash operating assets and liabilities:</b>		
Decrease in prepaid expenses	1,603	473
Decrease in receivables	2,072,680	247,601
Decrease in accounts payable and accrued liabilities, accrued salaries	(1,926,953)	(35,762)
Decrease in deferred contributions and deferred revenues	(300)	(12,130)
Net cash provided by operating activities	157,400	252,026
<b>Capital activities:</b>		
Addition to capital assets	-	(5,287)
Net cash used in capital activities	-	(5,287)
<b>Investing activities:</b>		
Proceeds from sale of investments	6,335,166	4,129,158
Purchase of investments	(5,897,836)	(4,193,295)
Net cash provided by (used in) investing activities	437,330	(64,137)
<b>Financing activities:</b>		
Repayment of capital lease obligations	(595)	(571)
Net cash used in capital activities	(595)	(571)
<b>Increase in cash and cash equivalents</b>	594,135	182,602
Cash and cash equivalents, beginning of period	3,105,026	3,091,432
<b>Cash and cash equivalents, end of period</b>	<b>3,699,161</b>	<b>3,274,034</b>

Note 1: \$98,725 interest received is included in the net cash flow from operating activities (June 2013 - \$101,328)

Note 2: There is no gain or loss on disposable capital assets.

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

**CANADIAN RACE RELATIONS FOUNDATION**  
**SELECTED NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS**  
**First quarter of fiscal year 2014-2015, ended June 30, 2014**

The unaudited quarterly financial statements should be read in conjunction with the March 31, 2014 audited financial statements of the Canadian Race Relations Foundation published in the 2013-2014 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, 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	June 30 2014	March 31 2014
	\$	\$
Cash - unrestricted	129,009	125,152
Cash - restricted	1,241,187	650,909
Cash equivalents - unrestricted	2,231,512	97,453
Cash equivalents - restricted	97,453	2,231,512
<b>Total cash and cash equivalents</b>	<b>3,699,161</b>	<b>3,105,026</b>

The carrying amount of these assets approximates their fair value.

**CANADIAN RACE RELATIONS FOUNDATION**  
**SELECTED NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS**  
**First quarter of fiscal year 2014-2015, ended June 30, 2014**

**4. Investments:**

<b>June 30, 2014</b>	<b>Current Amount</b>	<b>Non Current Amount</b>	<b>Total Investments</b>
Fixed income investments - Canadian	\$ 194,231	\$ 9,788,816	\$ 9,983,047
Equity securities- Canadian	-	5,065,900	5,065,900
Equity securities- Foreign	-	8,069,294	8,069,294
	<b>\$ 194,231</b>	<b>\$ 22,924,010</b>	<b>\$ 23,118,241</b>

<b>March 31, 2014</b>	<b>Current Amount</b>	<b>Non Current Amount</b>	<b>Total Investments</b>
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
	<b>\$ 665,720</b>	<b>\$ 22,426,707</b>	<b>\$ 23,092,427</b>

**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 QUARTERLY FINANCIAL STATEMENTS**  
**First quarter of fiscal year 2014-2015, ended June 30, 2014**

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**5. Financial risk management (continued):**

(a) Asset Mix:

As of June 30, 2014, the Foundation's investment portfolio investment asset mix was as follows:

- 49.73% in Cash and cash equivalents and Fixed Income (March 31 2014 – 51.33%)
- 19.39% in Canadian Equities (March 31, 2014 – 19.63%)
- 30.88% 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 June 30, 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:

Debt instrument by credit rating	Percentage of Value	
	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 QUARTERLY FINANCIAL STATEMENTS**  
**First quarter of fiscal year 2014-2015, ended June 30, 2014**

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**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 June 30, 2014 is as follows:

	<b>June 30 2014</b>	<b>March 31 2014</b>
Government of Canada	\$ 80,152	\$ 231,939
Other organizations	20,341	1,941,234
	<b>\$ 100,493</b>	<b>\$ 2,173,173</b>

(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.



**CANADIAN RACE RELATIONS FOUNDATION**  
**SELECTED NOTES TO UNAUDITED QUARTERLY FINANCIAL STATEMENTS**  
**First quarter of fiscal year 2014-2015, ended June 30, 2014**

**5. Financial risk management (continued):**

The Foundation's fixed income fair value investments comprise:

	June 30 2014	March 31 2014
Fixed income investments – Canadian	\$ 9,983,047	\$ 10,386,964
	\$ 9,983,047	\$ 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:

June 30 2014	USD (\$)	March 31 2014	USD (\$)
<b>Market Value</b>	\$8,069,294	<b>Market Value</b>	\$7,583,543
<b>% of Portfolio</b>	34.90%	<b>% of Portfolio</b>	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 June 30, 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:

	June 30 2014 Increase in value	June 30 2014 Decrease in value	March 31 2014 Increase in value	March 31 2014 Decrease in value
US dollars	80,692	(80,692)	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 June 30, 2014 is as follows:

<b>Target Asset Allocation</b>	<b>Asset Class Index</b>
50% Fixed Income (including cash and cash equivalents)	DEX Universe Bond Index (DEX 91-day T-Bill Index for cash)
25% Canadian equities	S&P TSX Composite Index
25% 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.

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**5. Financial risk management (continued):**

At June 30, 2014 the Foundation has a total cash and cash equivalents balance of \$3,699,161 (March 31 2014 - \$3,105,026), which is in excess of the total liabilities recorded at June 30, 2014 of \$96,403 (March 31 2014 - \$2,024,251).

**As at June 30, 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	29,542	-	13,444	42,986
Salaries and benefits payable	12,478	-	-	12,478
Obligation under capital lease	602	1,222	n/a	1,824

**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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**6. Capital assets:**

Capital Assets at net book value as at June 30, 2014:

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>June 30 Net book value</b>
Office furniture and equipment	\$ 117,223	114,763	2,460
Computer hardware	170,010	166,874	3,136
Leasehold improvements	42,988	10,747	32,241
Computer software	34,055	31,685	2,370
Database development	5,539	5,539	-
Equipment under capital lease	11,254	8,441	2,814
	<b>\$ 381,069</b>	<b>\$ 338,049</b>	<b>\$ 43,020</b>

Amortization of capital assets expense is \$3,948.

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

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>March 31 Net book value</b>
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
	<b>\$ 381,069</b>	<b>\$ 334,101</b>	<b>\$ 46,968</b>

Amortization of capital assets expense is \$20,264.

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**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.

	<b>June 30 2014</b>	<b>March 31 2014</b>
Obligation under capital lease	\$ 1,824	\$ 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 June 30, 2014 are as follows:

	<b>June 30 2014</b>	<b>March 31 2014</b>
Deferred contributions from non-government Sources	\$ 39,115	\$ 39,415
Balance, end of the period	\$ 39,115	\$ 39,415

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

	<b>June 30 2014</b>	<b>March 31 2014</b>
Balance, beginning of the period	\$ 39,415	\$ 60,494
Add: restricted contributions received from non-government sources	-	33,883
Less: amounts recognized as revenue	(300)	(54,962)
Balance, end of the period	<b>\$ 39,115</b>	<b>\$ 39,415</b>

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**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 10, 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 June 30, 2014 amounted to \$355,914 (March 31 2014 - \$380,218).

The following table summarizes the Foundation's contractual obligations as of June 30, 2014:

	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>Total</b>
Office premises	\$70,916	\$95,792	\$97,065	\$90,036	\$353,809
Office equipment	\$2,105	-	-	-	\$2,105
	<b>\$73,021</b>	<b>\$95,792</b>	<b>\$97,065</b>	<b>\$90,036</b>	<b>\$355,914</b>

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**11. Net investment income:**

	<b>June 30 2014</b>	<b>June 30 2013</b>
	\$	\$
Realized gains (losses) on sale of investments	20,688	(99,118)
Interest from cash and cash equivalents and fixed income investments, dividends	189,674	188,914
Less: transaction costs and investment counsel fees	(44,392)	(44,283)
<b>Net investment income</b>	<b>165,970</b>	<b>45,513</b>

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**Net investment income earned on resources held for endowment**

	<b>June 30 2014</b>	<b>June 30 2013</b>
	\$	\$
Realized gains (losses) on sale of investments recognized in the Statement of Operations in the period	20,688	(99,118)
Changes in fair value of investments recognized as direct increase (decrease) in net assets in the period	438,348	(344,133)
<b>Total net investment income earned (loss) on resources held for endowment in the period</b>	<b>459,036</b>	<b>(443,251)</b>

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**12. Invested in capital assets:**

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

	<b>June 30 2014</b>	<b>March 31 2014</b>
	\$	\$
Capital assets	43,020	46,968
Less obligation under capital lease	(1,824)	(2,419)
	<b>41,196</b>	<b>44,549</b>

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

	<b>June 30 2014</b>	<b>March 31 2014</b>
	\$	\$
Capital asset additions	-	6,563
Capital assets purchased with Foundation funds	-	6,563
Artworks written-off from capital assets	-	(16,225)
Amortization of capital assets	(3,948)	(20,264)
Repayment of capital lease obligation	595	2,320
Net change in investment in capital assets	<b>(3,353)</b>	<b>(27,606)</b>

**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 no revenue from Government of Canada departments, agencies, Crown corporations and anybody related to persons fulfilling senior management functions.

The Foundation incurred expenses totaling \$4,205 (2013 - \$3,156) with respect to travel and honorarium of members of the board of directors.



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**13. Related party transactions (continued):**

As at June 30, 2014, 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):

	<b>June 30 2014</b>	<b>March 31 2014</b>
Accounts receivable from CIC	\$ -	\$ 140,341
Holdback receivable from CI	\$ 69,380	\$ 69,380

The Foundation contractual obligations with Citizenship and Immigration Canada for the Interfaith and Belonging project ended March 31, 2014.

At June 30, 2014, the Foundation had accounts receivable of \$10,772 (March 31, 2014 – \$22,218) from Canada Revenue Agency.

**14. Schedule of Expenses by object:**

<b>Expenses</b>	<b>June 30 2014</b>	<b>June 30 2013</b>
Salaries and benefits	94,303	68,444
Rent	20,566	16,073
Communication	13,234	7,934
Funded projects	8,619	69,616
Office and general	5,513	5,561
Board of Directors honoraria and travel	4,205	3,156
Amortization	3,948	5,013
Information systems and development	754	702
Staff recruitment and development	70	-
Interest expenses	47	269
Professional fees	-	331
Conferences, symposia and consultations	(2,329)	3,225
	<b>148,930</b>	<b>180,323</b>