CANADIAN RACE RELATIONS FOUNDATION
UNAUDITED INTERIM FINANCIAL STATEMENTS
First quarter, ended June 30, 2011

First quarter, ended June 30, 2011

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Financial Management Discussion and Analysis

First quarter of fiscal year 2011-2012, ended June 30 ,2011

The following section should be read in conjunction with the Foundation's unaudited interim financial statement for the first quarter, ended June 30, 2011, and the related notes.

	2011 June 30 (Actual $)	**2010 June 30 (Actual $)**	**Change ($)**	**Change (%)**
Assets				
Cash	48,358	153,238	-104,881	-68
Investments	24,536,042	22,653,966	1,882,077	8
Prepaid expenses, other receivables and inventories	66,857	21,617	45,239	209
Capital assets and intangible assets	33,734	36,643	-2,909	-8
Total Assets	**24,684,991**	**22,865,465**	**1,819,526**	**8**
Liabilities and Equity				
Accounts payable and accrued liabilities	22,609	40,962	-18,353	-45
Salaries and benefits payable	38,845	26,676	12,169	46
Deferred revenue	56,529	4,523	52,007	1,150
Obligation under capital lease	8,442	10,633	-2,191	-21
Equity	24,558,566	22,782,671	1,775,894	8
Total Liabilities and Equity	**24,684,991**	**22,865,465**	**1,819,526**	**8**

Assets

Cash is composed of cash at banks, cash balances held by the Foundation’s investment managers, and cash for Diversity and Equity Leadership Institute for Ontario School System Leaders project in a restricted bank account.

Investments as at June 30, 2011 have increased 8% compared to the investment value in June 30, 2010. This is mainly due to the increase in fair value of the Foundation’s investments.

Prepaid expenses, other receivables and inventories are mainly prepaid expenses, trade accounts receivable, refunds of Federal Government’s Goods and Services Tax, Ontario Government’s Harmonized Sales Tax, and the cost of inventories of the Foundation’s publications in hardcopy and DVD format package intended for resale.

The **Capital assets and intangible assets** are the net book value of office furniture and equipment, computer hardware and software, and artwork.

Liabilities

Accounts payable and accrued liabilities represent amounts payable to suppliers and year end expense accruals. There is a decrease in accounts payable and accrued liabilities of $18,353 in June 30, 2011. This is the net result of a decrease of $12,502 in accounts payable and a decrease of $5,851 in accrued expenses.

Salaries and benefits payable are vacation and severance pay accruals owed to employees. There is an increase in salaries and benefits payable of $12,169 in June 30, 2011 compared to June 30, 2010. This is mainly due to an increase in accrual for severance pay and vacation accrual for the June 30, 2011.

Deferred revenue is made up of unspent balance of contributions received by the Foundation for Diversity and Equity Leadership Institute (DELI) for Ontario School System Leaders project funded by the Ontario Ministry of Education, Competencies for the Management of Diversity project, and subscriptions received in advance for *DIRECTIONS,* the Foundation's periodical. There is an increase of $52, 007 in June 30, 2011 for deferred revenue compared to June 30, 2010. This is mainly due to advanced contribution received for the "DELI" project.

Obligation under capital lease is the balance of capital repayment owed for the office equipment under lease. This is for the printer/copier lease which started at the end of 2009-10. The $2,191 decrease represents lease obligation payments.

Equity has increased 8% in June 30, 2011 compared to June 30, 2010 mainly due to the net operating gain in this quarter. The increase represents an increase in fair value of investments due to the continued stability in the global equity markets.

Statement of Operations Discussion

First quarter of fiscal year 2011-2012, ended June 30 ,2011

The following section should be read in conjunction with the Foundation's unaudited interim financial statement for the first quarter, ended June 30, 2011, and the related notes.

Revenues	**2011 June 30 (Actual $)**	**2010 June 30 (Actual $)**	**Change ($)**	**Change (%)**
Workshops	6,663	13,850	-7,187	-52
Sponsorships, donations, honoraria and fundraising gala	2,000	3,810	-1,810	-48
Publications	-	298	-298	-100
Total Revenues	**8,663**	**17,958**	**-9,295**	**-52**

Net investment gain	**2011 June 30 (Actual $)**	**2010 June 30 (Actual $)**	**Change ($)**	**Change (%)**
Investment income earned	222,917	122,560	100,357	82
Changes in fair value	-208,156	-689,362	481,205	-70
Net investment gain	**14,760**	**-566,801**	**581,562**	**-103**

Revenues from **Workshops** represent fees received by the Foundation for conducting education and training sessions. In June 30, 2011 there were less training sessions than compared to June 30, 2011.

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

Revenues from **Publications** are sale proceeds of research reports, publications and subscriptions for *DIRECTIONS.* Publications sales in June 30, 2011 were lower due to less demand for subscription for *DIRECTIONS* and sale of *Couleur Coeur* DVD.

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, gain/loss on foreign exchange net after portfolio management fees. Income from investment for June 30, 2011 is $ 222,917 and increase $100, 357 from June 30, 2011.

Changes in fair value of the investment portfolio in June 30, 2011 is -$208,156 and is made up of a realized gain on sale of investment of $28,467 and an unrealized change in fair value of the investments of -236,624. There was an improvement of $481,205 for June 30, 2011 period compared to June 30, 2011.

Financial Management Discussion and Analysis
Expenses
First quarter of fiscal year 2011-2012, ended June 30 ,2011

The following section should be read in conjunction with the Foundation's unaudited interim financial statement for the first quarter, ended June 30, 2011, and the related notes.

Expenses	**2011 June 30 (Actual $)**	**2010 June 30 (Actual $)**	**Change ($)**	**Change (%)**
Salaries and benefits	125,056	121,571	3,485	3
Rent	43,514	34,235	9,279	27
Board of Directors honoraria and travel	19,990	31,824	-11,833	-37
Award of Excellence symposium and fundraising gala	-	49,855	-49,855	-100
Professional fees	4,417	8,489	-4,071	-48
Communication	5,633	6,964	-1,331	-19
Office and general,conference,symposium and others	15,104	18,439	-3,335	-18
Total Expenses	**213,714**	**271,376**	**-57,662**	**-21**

There were no significant changes in June 30, 2011 **Salaries and benefits** expenses compared to June 30, 2010.

Rent expense for the office space increased by $9,279 due to termination of the sublet of office space agreement by sublet tenant. In June 30, 2011 Foundation's rent expenses were reduced by the sublet income.

Honoraria and expenses for the **Board of Directors** have decreased by $11,833 because of more Directors' face to face meetings in this period.

The Award of Excellence symposium and gala is an event held every other year. The June 30, 2011 expenses were for travel, meals and hotel accommodations subsidies for winners, trainers and panelists, room rental for the gala and symposium, printed materials and audio and visual expenses for the event. There was no event in the first quarter of 2011-12 fiscal year.

Professional fees are for legal, accounting and corporate services fees. The decrease of $4,071 in June 30, 2011 is due to non requirement for outsourcing of accounting services for preparation of the financial statements.

Communications are public and media relations expenses.

Office and general, conference, symposium and others expenses decreased by $3,335 mainly due to reduction in project activities.

Outlook for the Future

Fiscal Year 2011-2012

The Canadian Race Relations Foundation continues to fund its operations through the investment income. However, the second quarter of this year will start with implementation of "Interfaith and Belonging" project. In July 2011 the contribution agreement for this project will be signed with the Department of Citizenship and Immigration Canada. The implementation of "Diversity and Equity Leadership Institute for Ontario School System Leaders" project which was funded by the Ontario Ministry of Education will be continued in this fiscal year.

The approved budget for the year is closely monitored by senior management and the Board of Directors. We review and monitor budget variance reports on 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.

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

Statement of Management Responsibility

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

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

Ayman Al-Yassini Executive Director	Arsalan Tavassoli MA, CGA Finance and Administration Director

Toronto, August 29, 2011

CANADIAN RACE RELATIONS FOUNDATION
UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS
BALANCE SHEET
First Quarter, ended June 30 ,2011

	2011 June 30	2011 March 31	2010 June 30
	$	$	$
Assets			
Current Assets			
Cash	48,358	206,836	153,238
Investments (note 4)	163,040	312,129	407,949
Prepaid expenses, other receivable and inventories (note 3)	66,857	62,541	21,617
	278,254	581,506	582,805
Investments (note 4)	24,373,002	24,265,151	22,246,017
Capital assets and intangible assets (note 8)	33,734	35,220	36,643
	24,684,991	**24,881,877**	**22,865,465**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	22,609	32,078	40,962
Salaries and benefits payable (note 10)	17,032	20,185	11,934
Deferred revenue	56,529	61,642	4,523
Obligation under capital lease current (note 9)	2,484	2,484	2,484
	98,654	116,389	59,902
Obligation under capital lease (note 9)	5,958	6,609	8,149
Salaries and benefits payable (note 10)	21,813	10,023	14,742
	126,425	133,021	82,793
Equity (note 12)			
Retained earnings (deficit)	521,176	711,466	(1,251,943)
Accumulated other comprehensive income (note 11)	37,390	37,390	34,615
	558,566	748,856	(1,217,329)
Contributed surplus	24,000,000	24,000,000	24,000,000
	24,558,566	24,748,856	22,782,671
	24,684,991	**24,881,877**	**22,865,465**

CANADIAN RACE RELATIONS FOUNDATION
UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS
STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
Fiscal Quarter, ended June 30, 2011

	2011 June 30	2011 March 31	2010 June 30
Revenues	$	$	$
Workshops	6,663	27,145	13,850
Sponsorships, donations, honoraria and fundraising gala	2,000	13,227	3,810
Publications	-	1,800	298
Project - Competencies for the Management of Diversity	-	-	-
	8,663	42,172	17,958
Expenses			
Salaries and benefits	125,056	492,275	121,571
Rent	43,514	110,070	34,235
Board of Directors honoraria and travel	19,990	80,671	31,824
Award of Excellence symposium and fundraising gala	-	56,682	49,855
Professional fees	4,417	41,352	8,489
Office and general	7,021	30,588	10,688
Communication	5,633	26,099	6,964
Conferences, symposia and consultations	5,790	21,408	2,877
Amortization	1,486	6,695	1,579
Information systems and development	-	4,983	209
Education and training centre	-	2,360	2,080
Staff recruitment and development	806	1,414	823
Public education	-	-	182
	213,714	874,599	271,376
Excess of expenses over revenues before net investment gain	(205,051)	(832,427)	(253,418)
Net investment gain (note 14)	14,760	1,975,617	(566,801)
Net operating gain (loss)	(190,291)	1,143,190	(820,219)
Other comprehensive income (loss) for year	-	2,775	-
Net operating gain (loss) and other comprehensive income $	(190,291)	1,145,965	(820,219)

CANADIAN RACE RELATIONS FOUNDATION
UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
First Quarter, ended June 30, 2011

	2011 June 30 $	2011 March 31 $	2010 June 30 $
Retained earnings			
Balance, beginning of period	711,466	(431,724)	(431,724)
Net operating gain (loss)	(190,291)	1,143,190	(820,219)
Balance, end of year	521,176	711,466	(1,251,943)
Accumulated other comprehensive income			
Balance, beginning of year	37,390	34,615	34,615
Other comprehensive income for year	-	2,775	-
Balance, end of year	37,390	37,390	34,615
Retained earnings and accumulated other comprehensive income	558,566	748,856	(1,217,329)

CANADIAN RACE RELATIONS FOUNDATION
UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS
First Quarter, ended June 30, 2011

	2011 June 30	2011 March 31	2010 June 30
	$	$	$
Operating activities			
Net operating gain (loss)	(190,291)	1,143,190	(820,219)
Items not affecting cash			
Amortization	1,486	6,695	1,579
Loss on foreign exchange	12,749	172,013	80,054
Changes in fair value of investments (note 14)	208,156	(1,379,010)	715,518
	32,101	(57,112)	(23,068)
Changes in non-cash operating assets and liabilities			
(Increase) decrease in prepaid expenses and other receivables	(4,315)	(5,874)	28,160
Increase in inventory for resale	-	(6,890)	-
Increase (decrease) in accounts payable, accrued liabilities, and salaries and benefits payable	(832)	(15,483)	(10,132)
Increase (decrease) in deferred revenue	(5,113)	57,120	-
Cash used in operating activities	21,840	(28,240)	(5,040)
Financing activities			
Contributions received (used)	-	2,775	-
Cash provided by (used in) financing activities	-	2,775	-
Investing activities			
Proceeds from sale of investments	1,351,822	9,780,668	2,100,099
Purchase of investments	(1,550,888)	(9,551,617)	(1,781,591)
Additions to capital assets and intangible assets, net of capital lease	18,748	(8,537)	(172,017)
Cash provided by investing activities	(180,318)	220,514	146,491
Net increase (decrease) in cash during year	(158,478)	195,049	141,451
Cash, beginning of the period	206,836	11,787	11,787
Cash, end of period	48,358	206,836	153,238
Non-cash transactions:			
Acquisitions of equipment under capital lease (notes 8 & 9)	-	-	11,254

CANADIAN RACE RELATIONS FOUNDATION
NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS
First Quarter, ending June 30, 2011

1. DESCRIPTION OF ORGANIZATION

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The significant accounting policies of the Foundation are as follows:

a) Revenue recognition

Externally restricted contributions are deferred and recognized in Other Comprehensive Income. The Accumulated Other Comprehensive Income is transferred to revenue in the year the revenue is earned.

Unrestricted contributions are recognized as revenue in the year received or in the year the funds are committed to the Foundation if the amount can be reasonably estimated and collection is reasonably assured. Unrestricted investment income is recorded as revenue in the year it is earned.

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

b) Financial instruments

The Foundations' financial instruments consist of cash, investments, other receivables, accounts payable and accrued liabilities, salaries and benefits payable, deferred revenue and obligation under capital lease. Investments have been designated as held for trading and fair valued based on the policies described below. Other financial assets are categorized as loans and receivables and financial liabilities are categorized as other financial liabilities. Financial instruments other than investments are carried at amortized cost. The carrying values of cash, other receivables, accounts payable, accrued liabilities, deferred revenue and the current portion of salaries and benefits payable approximate their fair values given their short-term nature. The fair value of the non-current portion of salaries and benefits payable is based on the discounted cash flows method, using the implicit borrowing rate of the Foundation. However, given the low implicit borrowing rate of the Foundation and the medium-term of the non-current salaries and benefits payable, the fair value approximate the carrying value. The fair value of the obligation under capital lease is measured as the present value of contractual future lease payments discounted at the current market rate for similar leases. The fair value approximates the carrying value due to the stability of market rates of interest since inception.

c) Investments

Investments consist of fixed income investments, equities and pooled funds. Fixed income investments maturing within twelve months from the Quarter-end date are classified as current.

All investments have been designated as held for trading and are recorded at fair value as active management of the investment portfolio including capitalizing on short-term pricing opportunities is integral to generating funding for the Foundation. Fair values are determined by reference to published bid price quotations in an active market at Quarter end for fixed income investments and equities and by reference to transactional net asset values for pooled funds.

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

d) Investment transactions, income recognition and transaction costs

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

Investment income includes interest from cash, interest from fixed income investments, dividends, distributions from pooled funds and changes in the fair value of investments designated as held for trading.

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

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

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

e) Inventories

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

f) Capital assets

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

Office furniture and equipment	5 years
Office equipment under capital lease	Over the term of the lease
Computer hardware	3 years
Artwork	No amortization is provided for

g) Intangible assets

Intangible assets are recorded at acquisition cost. Amortization is provided for over the estimated useful lives of the asset on a straight-line basis as follows:

Computer software	3 years
Database development	3 years

h) Research payments

The contractual research payments are recorded as expenses in the Quarter they become due under the terms and conditions of the agreements.

i) Foreign currency translation

Transactions in a foreign currency are translated to Canadian dollars at the rate of exchange prevailing at the transaction date. The fair value of investments quoted in a foreign currency and accounts denominated in a foreign currency are translated into Canadian dollars at the rates prevailing at the end of the Quarter. Translation gains and losses are recorded in investment income.

j) Donation in kind

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

k) Management estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ significantly from these estimates such as amortization of capital assets and the calculation of Quarter-end salaries and benefits accruals.

l) Future accounting changes

Currently, the Foundation is classified as a Government Business-Type Organization (GBTO). In December 2009, the Public Sector Accounting Board (PSAB) amended the Introduction to Public Sector Accounting Standards, eliminating the GBTO classification effective for years beginning on or after January 1, 2011. Government organizations previously classified as a GBTO are required to reclassify themselves as a Government Not-For-Profit Organization (GNPO) or Other Government Organization (OGO), and adopt the applicable accounting standards for year beginning on or after January 1, 2011.

Effective for its 2011-12 fiscal year, the Foundation will be classified as a GNPO and will implement Public Sector Accounting Standards including the 4200 series of accounting standards applicable for government not-for-profit organizations. The Foundation has developed, and is implementing, a plan for the transition to the new accounting standards on a retrospective basis for the year ending March 31, 2012. However as of the date of this report the transition to the new accounting standard has not been completed yet and readers are cushioned that:

- there has been a departure from generally accepted accounting principles;
- management has elected to reflect the change only in the annual audited financial statements; and
- the quarterly financial statements do not include the impact of the new accounting principles.

3. INVENTORIES

The inventories on hand consist of the Foundation's publications in hardcopy and DVD format package intended for resale.

4. INVESTMENTS

	2011 June 30 Fair value $	2010 June 30 Fair value $
Current		
Fixed income investments – Canadian	162,956	404,130
Non-current		
Fixed income investments – Canadian	8,303,283	8,701,403
Fixed income investments – Foreign	169,506	119,932
Equity securities – Canadian	2,731,069	2,019,740
Equity securities – Foreign	9,344,336	7,484,810
Pooled fund units	3,824,892	3,924,061
	24,373,086	22,249,866
Total fair value of investments	24,536,042	22,653,996

5. FINANCIAL RISK MANAGEMENT

In the normal course of business, the Foundation is exposed to a variety of financial risks: credit risk, interest rate risk, currency risk, other price risk and liquidity risk. The value of investments within the Foundation's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions and market news related to specific securities within the Foundation's portfolio. The level of risk depends on the Foundation's investment objectives and the types of securities in which it invests.
The Foundation manages these risks by following a diversified investment strategy which is defined and set out in its Investment Policy Statement. The portfolio is diversified according to asset class by combining different types of asset classes such as money market, fixed income and equities within the portfolio. The percentage of the portfolio allocated to each asset class is defined within a specific range and the allocations are reviewed at least every quarter to ensure that they remain within the target range or the portfolio is rebalanced to the target range.

a) Asset Mix

As of June 30, 2011, the Foundation's investment portfolio investment asset mix was as follows:

- 35% in Cash & Fixed Income (2010 – 42%)
- 27% in Canadian Equities (2010 – 24%)
- 15% in US Equities (2010 – 14%)
- 23% in International Equities (2010 – 20%)

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 instrument will fail to discharge an obligation or commitment that it has entered into with the Foundation. 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.

For the Quarter June 30, 2011 the **credit ratings** report was not available. The credit rating report for the year end March 31, 2011 is as follows:

Debt instrument by credit rating	**Percentage of Value**	
	2011 March 31	2010 March 31
AAA (+ R1 rated short term)	30.4%	29.6%
AA	28.4%	30.6%
A	29.4%	28.2%
BBB	6.8%	7.9%
BB or less	5.0%	3.7%

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.

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

<u>The Foundation's fixed income investments comprise</u>:

	2011 June 30	2010 June 30
	$	$
Fixed income investments – Canadian – current	162,956	404,130
Fixed income investments – Canadian- non-current	8,303,283	8,701,323
Fixed income investments – Foreign - non-current	169,506	119,932
Fixed income investments included in pooled fund units - non-current	1,848,356	1,430,213
	10,484,101	10,655,598

As at June 30, 2011 the Foundation's exposure to debt instruments by maturity is as follows:

<u>Fixed income securities by maturity date</u>:

	2011 June 30	2010 June 30
	$	$
Less than 1 year	678,060	777,359
1-3 year	2,254,082	1,509,503
3-5 year	2,275,050	2,545,181
Greater than 5 year	5,276,909	5,823,555
	10,484,101	10,655,598

d) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises from financial instruments (including cash) 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 is investment portfolio from the following currencies:

2011 June 30	**USD ($)**	**GBP ($)**	**Euro ($)**	**Yen ($)**	**Others ($)**
Market Value	$4,017,268	$652,296	$1,247,216	$738,534	$2,958,457
% of Portfolio	16.37%	2.66%	5.08%	3.01%	12.06%

2010 June 30	**USD ($)**	**GBP ($)**	**Euro ($)**	**Yen ($)**	**Others ($)**
Market Value	$3,097,397	$241,674	$792,419	$494,948	$2,999,252
% of Portfolio	14.02%	1.09%	3.59%	2.24%	13.58%

These amounts are based on the market 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 , 2011, if the Canadian dollar strengthened or weakened by 1% in relation to other currencies, with all other variables held constant, operating results and equity would have an increase or decrease, respectively, by approximately:

	2011 June 30 Increase in value	2011 June 30 Decrease in value	2010 June 30 Increase in value	2010 June 30 Decrease in value
	$	$	$	$
US dollars	40,173	(40,173)	30,974	(30,974)
British pound	6,523	(6,523)	2,417	(2,417)
Euro	12,472	(12,472)	7,924	(7,924)
Japanese yen	7,385	(7,385)	4,949	(4,949)
Others	29,584	(29,584)	29,992	(29,992)

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

e) Other price risk

Other price risk is the risk that the fair value or future cash flows of financial instruments 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 instruments 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 instruments is determined by the market value of the financial instruments. The Foundation's overall market positions are monitored on a daily basis by the portfolio managers. Financial instruments 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 Foundation's long term target asset allocation and individual asset class indices in effect as at June 30, 2011 is as follows:

Target Asset Allocation	**Asset Class Index**
53% Fixed Income (including cash)	DEX Universe Bond Index (DEX 91-day T-Bill Index for cash)
9% Canadian equities	S&P TSX Composite Index
16% US equities	S&P 500 Index (C$)
22% International equities	MSCI EAFE Index (C$)

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 its investments by maintaining capital management policies (as described in Note 7).

As at June 30, 2011 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	3,527	18,085	997	22,609
Salaries and benefits payable	12,217	16,605	10,023	38,845
Obligation under capital lease	621	1,863	5,958	8,442

6. FINANCIAL INSTRUMENTS – DISCLOSURE

All financial instruments measured at fair value must be classified in fair value hierarchy levels, which are as follows:

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

Information on Financial Assets at fair value as at June 30, 2011 was not available at the time of this report:

Financial Assets at fair value as at March 31, 2011:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Fixed income investment	838,926	7,724,048	-	8,562,974
Equity securities	11,446,126	-	-	11,446,126
Pooled fund units	-	4,568,180	-	4,568,180
Total investments	12,285,052	12,292,228	-	24,577,280

During the year ended March 31, 2011, there were no significant transfers between Level 1 and Level 2 of the fair value hierarchy

7. CAPITAL MANAGEMENT

The Foundation's capital cost consists of:

	2011 June 30	2010 June 30
	$	$
Contributed surplus	24,000,000	24,000,000
Accumulated other comprehensive income	37,390	34,615
Retained earnings (deficit)	659,530	(1,012,521)
Total	24,696,920	23,022,094

The Foundation's Contributed surplus represents the original $24,000,000 endowment fund, which is restricted. As described in Note 12, the *Canadian Race Relations Foundation Act* stipulates that the Endowment Fund is to be used only for investment and the earning of income, which income may be expended for the purpose of the Foundation. In management's opinion the Foundation is in compliance with the Act.

The overall objectives in investing the assets of the Foundation are to preserve and enhance the value of capital through adequate diversification in high quality investments and achieve the highest investment return that can be obtained with the assumption of an acceptable degree of risk.

The Accumulated other comprehensive income consists of contributions received by way of donations that have been restricted for specific purposes by the donors. The Foundation has complied with the requirements of these external contributions.

The Foundation employs a capital management plan and a Statement of Investment Policies and Guidelines that are reviewed by the Board of Directors. The Statement of Investment Policies and Guidelines outlines the Foundation's approach to investment growth, credit quality and profitability objectives.

The Statement of Investment Policies and Guidelines states that the Foundation's assets shall be invested in fixed income and equity securities in such proportions as may be established from time to time by the Board of Directors upon recommendation of the Investment Committee in consultation with the portfolio managers contracted by the Foundation. The Foundation's investment in equities, bonds and short term securities are diversified by industry group and by individual companies with industry groupings. The portfolio is not fragmented into individual holdings of uneconomic and unmanageable size. The Foundation's investment in income trusts or pooled fund units and similar investment instruments is limited to those securities that are listed on a recognizable stock exchange and are resident in jurisdictions that provide limited liability to unit holders. Each portfolio manager has flexibility within certain ranges in determining their asset mix. The overall long term asset mix of the Foundation is subject to a 45% investment allocation to equities (20% Canadian and 25% foreign common stocks) and 55% investment allocation to fixed income (cash, short term investments and bonds). In unique circumstances the portfolio managers may be granted approval by the Board of Directors upon the recommendation of the Investment Committee to temporarily alter the asset mix limitation guidelines. As per Foundation's Investment Policy Statement the investment portfolio's assets split in to the restricted and unrestricted funds and shall be reported separately by the investment advisors, managers and custodians. Based on the Foundation June 30, 2011 investment portfolio report, approximately 94% of the current portfolio is comprised of restricted funds and 6% of unrestricted funds.

8. CAPITAL ASSETS AND INTANGIBLE ASSETS

	2011 June 30			2010 June 30		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	$	$	$	$	$	$
Capital Assets						
Furniture & Office Equipment	115,714	112,109	3,605	115,714	108,927	6,787
Computer Hardware	151,437	150,994	443	151,437	148,614	2,823
Artwork	16,225	-	16,225	16,225	-	16,225
	283,376	**263,103**	**20,272**	**283,376**	**257,541**	**25,835**
Equipment Under Capital Lease	11,254	563	10,692	11,254	281	10,973
	294,630	**263,666**	**30,964**	**294,630**	**257,822**	**36,808**
Intangible Assets						
Computer software	27,036	24,266	2,770	23,343	23,343	-
Database development	5,539	5,539	-	5,374	5,539	(165)
	32,575	**39,805**	**2,770**	**28,717**	**28,882**	**(165)**
Total	**327,205**	**293,472**	**33,734**	**323,347**	**286,705**	**36,643**

9. OBLIGATION UNDER CAPITAL LEASE

The Foundation has entered into an agreement to rent office equipment under capital lease in March 2010.

	2011 June 30	2010 June 30
	$	$
Obligation under capital lease, repayable in blended quarterly installments of $621, including principal and interest at 4.25%, maturing March 31, 2015, and secured by related equipment	8,442	10,633
Less: current portion	(2,484)	(2,484)
	5,958	8,149
Future minimum lease payments as at June 30, are as follows		
2011		
2012	-	1,863
2013	1,863	2,484
2014	2,484	2,484
	2,484	2,484
2015	2,484	2,484
	9,315	11,799
Less: Amount representing interest	(873)	(1,166)
	8,442	10,633

10. SALARIES AND BENEFITS PAYABLE

The current portion of the salaries and benefits payable of $17,032 (2010 - $11,934) relates to accruals for vacation pay and overtime pay for the staff of the Foundation.

The non-current portion of the salaries and benefits payable of $21,813 (2010 - $14,742) is an accrual for severance pay and maternity leave benefits for the staff of the Foundation.

11. ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income represents unspent externally restricted contributions received by way of donations that have been restricted by the donors.

12. EQUITY

Contributed surplus represents the original contribution of $24,000,000, which constitutes an Endowment Fund and is considered restricted funds. The original contribution included $12,000,000 which was part of the Redress Agreement with the National Association of Japanese Canadians, and $12,000,000 from the Government of Canada.

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

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

13. COMMITMENTS

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

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

The commitments for the next five years are:

	$
2012	193,000
2013	195,000
2014	5,000
2015	3,000
2016	-
	396,000

14. NET INVESTMENT GAIN

	2011 June 30 $	2010 June 30 $
Realized gains on sale of investments	28,467	25,612
Unrealized change in fair value of investments	(236,624)	(741,130)
Changes in fair value of investments	(208,157)	(715,518)
Interest from cash and fixed income investments, dividends, distributions from pooled fund units, gains (losses) on foreign exchange less transaction costs and investment counsel fees	222,917	148,716
Net investment gain (losses)	14,760	(566,801)

15. RELATED PARTY TRANSACTIONS

The Foundation is related in terms of common ownership to all Government of Canada departments, agencies, and crown corporations. There are no material related party transactions for the fiscal Quarter ended June 30, 2011.