

# **CANADIAN RACE RELATIONS FOUNDATION**

## **UNAUDITED INTERIM FINANCIAL STATEMENTS**

**Second quarter, of fiscal year 2012-2013, ended September 30, 2012**

# UNAUDITED INTERIM FINANCIAL STATEMENTS

Second quarter, ended September 30, 2012

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# Financial Management Discussion and Analysis

## Second quarter of fiscal year 2012-2013, ended September 30, 2012

The following sections should be read in conjunction with the Foundation's unaudited interim financial statement for the second quarter, ended September 30, 2012, and the related notes which have been prepared in accordance with the Treasury Board of Canada Standards on Quarterly Financial Reports of Crown Corporations. We also recommend that this information be read in conjunction with the Foundation's annual financial statements and FMDA for the year ended March 31, 2012.

### Statement of Financial Position Discussion

	September 30, 2012	March 31, 2012	Changes	
	\$	\$	\$	%
<b>Assets</b>				
Cash	925,191	393,368	531,823	135
Investments	23,394,820	24,074,986	-680,166	-3
Prepaid expenses, other receivables and inventories	249,191	186,928	62,263	33
Capital assets and intangible assets	41,416	47,509	-6,093	-13
<b>Total Assets</b>	<b>24,610,618</b>	<b>24,702,791</b>	<b>-92,173</b>	<b>-0.4</b>
<b>Liabilities and Net Assets</b>				
Accounts payable and accrued liabilities	18,662	36,769	-18,107	-49
Salaries and employees future benefits payable	15,058	34,493	-19,435	-56
Deferred contributions and deferred revenues	129,251	216,294	-87,043	-40
Obligation under capital lease	4,957	6,962	-2,005	-29
Net assets	24,442,690	24,408,273	34,417	0.1
<b>Total Liabilities and Net Assets</b>	<b>24,610,618</b>	<b>24,702,791</b>	<b>-92,173</b>	<b>-0.4</b>

## Assets

**Cash** is composed of cash at banks, cash balances held by the Foundation's investment manager, and cash for "the Diversity and Equity Leadership Institute (DELI) for Ontario School System Leaders" project in a restricted bank account. For the six-month ended September 30, 2012 total cash increased \$531,823 from March 31, 2012 primarily due to the unspent cash in the investment manager's accounts and the advanced contribution from Ontario Ministry of Education for the "DELI" project of \$101,000.

**Investments** have decrease 3% (\$680,165) for the six-month ended September 30, 2012 compared to the investment value at March 31, 2012. This is mainly due to the decrease in fair value of the Foundation's investments and increase in the unspent cash in the investment manager's account of \$581,403.

During the six-month ended September 30, 2012, the Canadian Race Relations Foundation restricted and unrestricted portfolios returned +1.47% net of fees, compared to the blended benchmark return of +2.66%. The year-to-date performance to September 30, 2012, net of fees, was +4.58%, compared to the blended benchmark return of 2.42% (value added of 2.16%).

**Prepaid expenses, receivables and inventories** are mainly prepaid expenses, trade accounts receivable, refunds of Federal Government's Goods and Services Tax (GST), Ontario Government's Harmonized Sales Tax (HST), and the cost of inventories of the Foundation's publications. For the six-month ended September 30, 2012 prepaid expenses, other receivables and inventories increased \$62,264 compared to March 31, 2012.

The **Capital assets** are the net book value of office furniture and equipment, computer hardware and software, and artwork. The net decrease of \$6,093 in the capital assets for the six-month ended September 30, 2012 is for the cost of the amortization of all assets.

## Liabilities

**Accounts payable and accrued liabilities** represent amounts payable to suppliers and the six-month ended September 30, 2012 expense accruals. There is a decrease in accounts payable and accrued liabilities of \$18,107 in September 30, 2012. This is the net result of a decrease of \$14,700 in accounts payable and a decrease of \$3,407 in accrued expenses.

**Salaries and employees future benefits payable** are vacation and severance pay accruals owed to employees. For the six-month ended September 30, 2012, it is made up of only vacation accruals in current liabilities of \$15,058. There is a decrease in salaries payable of \$19,435 in September 30, 2012 compared to March 31, 2012.

**Deferred contributions and deferred revenues** is made up of unspent balance of contributions received by the Foundation for the "DELI" project from the Ontario Ministry of Education of \$92,476 and the Education and Training Center fund of \$34,615. There is a decrease of \$87,044 for the six-month ended September 30, 2012 in the deferred contributions and deferred revenues compared to March 31, 2012. This is mainly due to a decrease in the advanced contributions from the projects of \$85,024.

**Obligation under capital lease** is the balance of capital repayment owed for the office equipment under lease of \$4,957 as at September 30, 2012.

**Net Assets increased** .01% for the six-month ended September 30, 2012 (March 31, 2012, 1% decrease).

## Statement of Operations Discussion

Revenues	Three-month ended September 30,				Six-month ended September 30, (YTD)			
	2012 (Actual \$)	2011 (Actual \$)	Change		2012 (Actual \$)	2011 (Actual \$)	Change	
			\$	%			\$	%
Funded projects	94,349	58,961	35,388	n/a	133,701	65,624	68,077	n/a
Workshops	26,000	5,025	20,975	417	45,000	5,025	39,975	796
Sponsorships, donations, contributions, honoraria and fundraising gala	5,800	3,931	1,869	48	6,000	5,931	69	1
Publications	3,183	168	3,015	n/a	4,145	168	3,977	n/a
<b>Total Revenues</b>	<b>129,333</b>	<b>68,084</b>	<b>61,248</b>	<b>90</b>	<b>188,846</b>	<b>76,747</b>	<b>112,099</b>	<b>146</b>
Net investment gain	2012 (Actual \$)	2011 (Actual \$)	Change		2012 (Actual \$)	2011 (Actual \$)	Change	
			\$	%			\$	%
	Investment income earned	(22,342)	156,503	(178,845)	-114	(391,899)	392,168	(784,067)
Changes in fair value - realized	80,134	152,681	(72,548)	-48	(599,346)	124,214	(723,560)	-583
<b>Net investment gain</b>	<b>57,792</b>	<b>309,184</b>	<b>(251,392)</b>	<b>(81)</b>	<b>(991,245)</b>	<b>516,382</b>	<b>(1,507,627)</b>	<b>(292)</b>

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

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

Revenues from **Publications** are sale proceeds of publications and subscriptions for *DIRECTIONS*.

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

**Net investment income earned:** Investment income earned includes interest, realized gains (losses) on sale of investments, dividends, distributions from pooled fund units, gain/loss on foreign exchange net after portfolio management fees. The losses of investment for the three-

month ended September 30, 2012 is \$22,342 compared to the gain of \$156,503 in September 30, 2011.

**Changes in fair value** of investments for three-month ended September 30, 2012 include realized gain on sales of investments of \$80,134 compared with realized gain of \$152,681 in September 30, 2011.

The unrealized gains (losses) attributed to investments measured at fair value and unrealized gains (losses) attributed to foreign exchange are recognized in the Statement of Remeasurement Gains and Losses. Unrealized changes in fair value of the investments for the six-month ended September 30, 2012 were \$1,387,262 gain compared to a loss of \$1,693,086 in September 30, 2011.

## Expenses

Expenses	Three-month ended September 30,				Six-month ended September 30, (YTD)			
	2012 (Actual \$)	2011 (Actual \$)	Change		2012 (Actual \$)	2011 (Actual \$)	Change	
			\$	%			\$	%
Salaries and benefits	164,531	87,464	77,066	88	268,830	212,520	56,310	26
Funded projects	94,487	60,510	33,977	56	146,639	65,623	81,016	123
Rent	44,231	43,513	719	n/a	88,463	87,027	1,436	n/a
Board of Directors honoraria and travel	5,774	11,308	(5,535)	-49	6,424	31,299	(24,875)	-79
Award of Excellence symposium and fundraising gala	5,086	0	5,086	n/a	6,364	0	6,364	n/a
Professional fees	6,973	2,761	4,212	153	9,552	7,178	2,374	33
Communication	10,683	6,055	4,628	76	14,096	9,557	4,540	48
Office and general, conference, symposium and others	(2,595)	8,654	(11,249)	-130	10,079	20,729	(10,650)	-51
<b>Total Expenses</b>	<b>329,170</b>	<b>220,265</b>	<b>108,904</b>	<b>49</b>	<b>550,446</b>	<b>433,932</b>	<b>116,514</b>	<b>27</b>

The Foundation's total expenses were \$329,170 for the three-month ended September 30, 2012 with the three main users of funds being salaries and benefits, funded projects and rent expenses, totaling \$164,531, \$94,487 and 44,231 respectively. The anticipated total expenses for the 2012-2013 is \$1,457,000.

There was \$77,066 increase in **Salaries and benefits** expenses for the three-month ended September 30, 2012 compared to September 30, 2011, mainly due to return to work of an

employee from the maternity leave. During this quarter, one employee was on the long term disability leave.

**Rent** expense for the office space for the three-month and six month ended September 30, 2012 had no significant changes compared to September 30, 2011.

**Office and general, conference, symposium and others expenses** were charged to the funded projects in this quarter.

**Professional fees** are for legal, accounting and corporate services fees. For the three-month ended September 30, 2012 there is an increase of \$4,212 compared to September 30, 2011.

**The Award of Excellence symposium and gala** is an event held every other year. There will be an event in October 2012 in Halifax, Nova Scotia. The anticipated expenses for this event is \$80,000.

Honoraria and expenses for the **Board of Directors** have decreased by \$5,535 for the three-month ended September 30, 2012. There were no Directors' face to face meetings in this period.

### **Outlook for the third and fourth quarter**

#### **Fiscal Year 2012-2013**

The Canadian Race Relations Foundation continues to fund its operations through the investment income. In the next two quarters the Foundation will continue the implementation of "the Interfaith and Belonging" project, funded by the Department of Citizenship and Immigration Canada. The Foundation will also continue delivery of Phase II of the "Diversity and Equity Leadership Institute for Ontario School System Leaders" project, funded by the Ontario Ministry of Education, which will be delivered in nine different locations in Ontario.

In October 2012 the Foundation will hold the Award of Excellence & symposium in Halifax, Nova Scotia. This is the eighth anniversary of the program to recognize achievement and Best Practices in equity and anti-racism. The symposium will be followed by a meeting of the Foundation's Board of Directors.

The Foundation has an approved operating revenues budget of \$1,325,000 and expenditures budget of \$1,411,000 for 2012-13. The approved budget for the year is closely monitored by senior management and the Board of Directors. We review and monitor budget variance reports on regular basis. Adjustments are made as required, and expenditures are consistent with the approved budget and are according to Board resolutions and guidelines of the Treasury Board. Quarterly financial statements and related notes are also prepared in accordance with the Treasury Board standards and are posted in the Foundation website.

The Foundation's programs and activities are designed in accordance with the Foundations' Strategic Plan for 2011 to 2014. A key component in the Plan is the development and implementation of the Foundation's role as a clearing house. We are committed to the strengthening of strategic alliances with sister Crown corporations, federal and provincial government departments and agencies, community groups, and relevant sectors of Canadian society. Our outlook for the 2012-2013 fiscal year is premised on cooperation with our partners and stakeholders with the objective of fulfilling the Foundation's business 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.



Rubin Friedman  
Principal Operating Officer

November 29, 2012



Arsalan Tavassoli MA, CGA  
Finance and Administration Director

November 29, 2012



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

As at	September 30, 2012	March 31, 2012
	\$	\$
<b>Assets</b>		
Current Assets		
Cash	925,191	393,368
Prepaid expenses	9,943	7,361
Receivable and inventories	239,248	179,567
Investments (note 3)	594,713	292,926
	1,769,095	873,222
Investments (note3)	22,800,107	23,782,060
Capital assets (note 5)	41,416	47,509
	<b>24,610,618</b>	<b>24,702,791</b>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued liabilities	18,662	36,769
Accrued salaries	15,058	21,652
Deferred contribution and deferred revenues (note7)	129,251	216,294
	162,971	274,715
Obligation under capital lease (note 6)	4,957	6,962
Employees future benefits	-	12,841
	167,928	294,518
<b>Net assets:</b>		
Unrestricted	(601,932)	746,825
Invested in capital assets (note 10)	36,459	40,547
Accumulated remeasurement gains (losses)	1,008,163	-379,099
Restricted for endowment purposes (note 8)	24,000,000	24,000,000
	24,442,690	24,408,273
	<b>24,610,618</b>	<b>24,702,791</b>

Contractual obligations (note 9)

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

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

	Three-month period ended		Six-month period ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
<b>Revenues</b>	\$	\$	\$	\$
Funded projects	94,349	58,961	133,701	65,624
Workshops	26,000	5,025	45,000	5,025
Sponsorships, donations and contributions, honoraria and fundraising gala	5,800	1,500	6,000	3,500
Project - Competencies for the Management of Diversity	-	2,431	-	2,431
Publications & Misc. revenue	3,184	167	4,145	167
	<u>129,333</u>	<u>68,084</u>	<u>188,846</u>	<u>76,747</u>
<b>Expenses</b>				
Programs expenses	160,696	98,796	270,401	223,603
Funded projects	94,487	60,510	146,639	65,623
Administration expenses	58,750	37,860	101,932	86,076
Board of Directors meetings	5,774	11,308	6,424	31,299
AoE symposium and fundraising gala	5,086	-	6,364	-
Operating expenses	2,175	9,352	14,863	24,176
Conferences, symposia and consultations	1,366	556	2,260	1,233
Information systems and development	837	1,883	1,563	1,923
	<u>329,170</u>	<u>220,265</u>	<u>550,446</u>	<u>433,932</u>
(Deficiency) of revenues over expenses before net investment gain	<u>(199,837)</u>	<u>(152,181)</u>	<u>(361,600)</u>	<u>(357,185)</u>
Net investment income (note 10)	57,792	309,184	(991,245)	516,382
Excess of revenues over expenses for the period	<u>(142,045)</u>	<u>157,003</u>	<u>(1,352,845)</u>	<u>159,197</u>

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-month ended		Six-month ended
	September 30, 2012	September 30, 2012	March 31, 2012
	\$	\$	\$
Accumulated Remeasurement gains, beginning of the period	192,181	(379,099)	-
Unrealized gains (losses) attributed to investment portfolio	916,912	1,454,522	(469,504)
Unrealized gains attributed to foreign exchange	(100,930)	(67,260)	90,405
Accumulated Remeasurement gains, end of period	1,008,163	1,008,163	(379,099)

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

**CANADIAN RACE RELATIONS FOUNDATION**  
**UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS**  
**Statement of Changes in Net Assets**

<b>Three-month ended September 30, 2012</b>	Unrestricted	Invested in capital assets	Accumulated remeasurement gains (losses)	Endowment	Three-month ended September 30, 2012
	\$	\$	\$	\$	\$
Net assets, beginning of period	(461,576)	38,151	192,181	24,000,000	23,768,753
Excess of expenses over revenues	(142,045)	-	-	-	(142,045)
Remeasurement gains	-	-	815,982	-	815,982
Net changes in invested in capital assets	1,692	(1,692)	-	-	-
<b>Net assets, end of period</b>	<b>(601,929)</b>	<b>36,459</b>	<b>1,008,163</b>	<b>24,000,000</b>	<b>24,442,690</b>
<b>Six-month ended September 30, 2012</b>	Unrestricted	Invested in capital assets	Accumulated remeasurement gains (losses)	Endowment	Six-month ended September 30, 2012
	\$	\$	\$	\$	\$
Net assets, beginning of period	746,825	40,547	(379,099)	24,000,000	24,408,273
Excess of expenses over revenues	(1,352,845)	-	-	-	(1,352,845)
Remeasurement gains	-	-	1,387,262	-	1,387,262
Net changes in invested in capital assets	4,088	(4,088)	-	-	-
<b>Net assets, end of period</b>	<b>(601,932)</b>	<b>36,459</b>	<b>1,008,163</b>	<b>24,000,000</b>	<b>24,442,690</b>
<b>March 31, 2012</b>	Unrestricted	Invested in capital assets	Accumulated remeasurement gains (losses)	Endowment	March 31, 2012
	\$	\$	\$	\$	\$
Net assets, beginning of year	685,339	26,127	-	24,000,000	24,711,466
Excess of expenses over revenues	75,906	-	-	-	75,906
Remeasurement gains	-	-	(379,099)	-	(379,099)
Net changes in invested in capital assets	(14,420)	14,420	-	-	-
<b>Net assets, end of year</b>	<b>746,825</b>	<b>40,547</b>	<b>(379,099)</b>	<b>24,000,000</b>	<b>24,408,273</b>

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-month ended September 30,		Six-month ended September 30,	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>Operating activities:</b>				
Excess (deficiency) of expenses over revenue	(142,045)	349,488	(1,352,845)	159,197
Items not affecting cash:				
Amortization	3,047	1,487	6,093	2,973
Realized gain (loss) on foreign exchange	175,413	13,715	833,660	26,464
Realized gains (loss) on sales of investments and changes in fair value of investments (note 10)	(80,134)	(332,370)	599,346	(124,214)
	(43,719)	32,320	86,254	64,420
<b>Changes in non-cash operating assets and liabilities:</b>				
(Increase) decrease in prepaid expenses	(1,762)	5,205	(2,582)	(223)
(Increase) decrease in receivables and inventories	(52,937)	(343)	(59,683)	770
Increase (decrease) in accounts payable and accrued liabilities, accrued salaries and employees future benefits	15,300	(20,178)	(24,701)	(21,010)
Increase ( decrease) in deferred contributions and deferred revenues	(57,550)	(30,025)	(87,044)	(35,138)
Net cash used in operating activities	(140,667)	(13,021)	(87,755)	8,819
<b>Capital activities:</b>				
Addition to capital assets	-	3,521	-	(15,226)
Repayment of capital lease obligations	(1,354)	-	(2,005)	( 651)
Net cash used in capital activities	(1,354)	3,521	(2,005)	(15,877)
<b>Investing activities:</b>				
Proceeds from sale of investments	1,070,056	1,696,371	25,268,913	3,086,339
Purchase of investments	(1,089,769)	(1,699,737)	(24,647,329)	(3,250,625)
Net cash provided by investing activities	19,713)	(3,366)	621,584	(164,286)
<b>Increase (decrease) in cash</b>	(161,734)	(12,866)	531,824	(171,344)
Cash, beginning of period	1,086,926	48,358	393,368	206,836
Cash, end of period	925,191	35,492	925,191	35,492

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

## CANADIAN RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

For the three and six months ended September 30, 2012

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The interim unaudited financial statements should be read in conjunction with the March 31, 2012 audited financial statements of the Canadian Race Relations Foundation published in the 2011-2012 annual report and with the narrative discussion included in this quarterly financial report.

### 1. Authority and mandate:

The Canadian Race Relations Foundation (“the Foundation”) was established by way of federal government legislation (Bill C-63 “The Canadian Race Relations Foundation Act”, 1991) and is a Crown corporation.

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

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

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

### 2. Significant accounting policies:

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

### 3. Investments:

As at September 30, 2012	Fair Value
Fixed income investments - Canadian	\$ 10,506,230
Equity securities- Canadian	3,948,073
Equity securities- Foreign	5,857,737
Saving Account /Cash equivalent securities	3,082,780
	<hr/>
	\$ 23,394,820

## CANADIAN RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

For the three and six months ended September 30, 2012

As at March 31, 2012	Fair Value
Fixed income investments - Canadian	\$ 8,259,287
Fixed income investments - Foreign	142,731
Equity securities- Canadian	2,150,505
Equity securities- Foreign	9,291,468
Pooled fund units	4,230,995
	\$ 24,074,986

#### 4. Financial risk management:

In the normal course of business, the Foundation is exposed to a variety of financial risks: credit risk, interest rate risk, currency risk, other price risk and liquidity risk. The value of investments within the Foundation's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions and market news related to specific securities within the Foundation's portfolio. The level of risk depends on the Foundation's investment objectives and the types of securities in which it invests.

The Foundation manages these risks by following a diversified investment strategy which is defined and set out in its Investment Policy Statement. The portfolio is diversified according to asset class by combining different types of asset classes such as money market, fixed income and equities within the portfolio. The percentage of the portfolio allocated to each asset class is defined within a specific range and the allocations are reviewed at least every quarter to ensure that they remain within the target range or the portfolio is rebalanced to the target range.

##### (a) Asset Mix:

The asset allocation of the overall Foundation's investment portfolio investment as at September 30, 2012 was as follows:

	<u>Asset Mix</u>	<u>IPS Target</u>	<u>Range Permitted</u>
Cash	16.5%	0%	0% - 20%
Fixed Income	42.8%	55.0%	40% - 70%
Canadian Equities	16.2%	20.0%	10% - 30%
Global Equities	24.5%	25.0%	10% - 40%

Within each asset class, the Foundation also holds investments with different risk-return characteristics. For example, equities are diversified across industry sectors and by company size (market capitalization) while bonds are diversified by credit ratings, term to maturity, as well as across

## CANADIAN RACE RELATIONS FOUNDATION

### SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

#### For the three and six months ended September 30, 2012

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the government and corporate bond sectors. In addition, the Foundation employs investment managers with different investment styles such as value, growth and growth at a reasonable price (GARP). Diversification also occurs at the individual security selection level whereby securities are selected based on either top-down analysis or bottom-up analysis. The Foundation is also diversified across geographic regions by investing in Canadian, US and international securities.

(b) Credit risk:

Credit risk is the risk that the counterparty to a financial assets will fail to discharge an obligation or commitment that it has entered into with the Foundation.

(i) Fixed income securities:

The Foundation's investments in fixed income securities represent the main concentration of credit risk. The market value of fixed income securities includes consideration of the credit worthiness of the issuer, and accordingly, represents the maximum credit risk exposure of the Foundation.

**The Credit rating information for September 30, 2012 was not available at the time of this report.**

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

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Debt instrument by credit rating	Percentage of Value		
	2012	2011	April 1, 2010
AAA (+ R1 rated short-term)	24.0%	30.4%	29.6%
AA	26.9%	28.4%	30.6%
A	33.8%	29.4%	28.2%
BBB	7.0%	6.8%	7.9%
BB or less	8.3%	5.0%	3.7%

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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.



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The maximum exposure to credit risk for accounts receivable by type of customer as at September 30, 2012 is as follows:

As at	September 30, 2012	March 31, 2012
Government of Canada	\$ 65,860	\$ 133,078
Other organizations	19,735	43,044
Interest on fixed income investment	150,208	-
	\$ 235,803	\$ 176,122

(c) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial assets and financial liabilities. Interest rate risk arises when the Foundation invests in interest-bearing financial assets and financial liabilities. The Foundation is exposed to the risk that the value of such financial assets and financial liabilities will fluctuate due to changes in the prevailing levels of market interest rates. Typically longer maturity instruments have greater interest rate risk; however a more sophisticated measure of interest rate risk taking into account the interest (or coupon) received is the duration of the securities. Duration is a measure of the sensitivity of a fixed income security's price to changes in interest rates and is based on the relative size and the time to maturity of expected cash flows. Duration is measured in years and will range between 0 years and the time to maturity of the fixed income security. The Foundation has divided its portfolio to be managed by several independent investment managers. The duration of the Foundation's fixed income portfolio is calculated based on the weighted average of the individual investment manager durations. Individual investment manager durations are computed based on the weighted average of the durations of individual securities (e.g. bonds) within each manager's fixed income portfolio.

The Foundation's fixed income fair value investments comprise:

As at	September 30, 2012	March 31, 2012
Fixed income investments – Canadian	\$ 10,506,230	\$ 8,259,287
Fixed income investments – Foreign	-	142,731
Fixed income investments included in pooled fund units	-	2,614,961
Investment saving accounts / Cash equivalent securities	3,082,781	-
	\$ 13,589,011	\$ 11,016,979

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(d) Currency risk:

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

(e) Other price risk:

Other price risk is the risk that the fair value or future cash flows of financial assets and financial liabilities will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). All investments represent a risk of loss of capital. The investment managers of the portfolio contracted by the Foundation moderate this risk through a careful selection and diversification of securities and other financial assets and financial liabilities within the limits of specified statements of investment policy and guidelines (SIPGs) which are negotiated and agreed upon with each investment manager. The maximum risk resulting from financial assets and financial liabilities is determined by the market value of the financial assets and financial liabilities. The Foundation's overall market positions are monitored on a daily basis by the portfolio managers. Financial assets and financial liabilities held by the Foundation are susceptible to market price risk arising from uncertainties about future prices of the instruments. The portfolio's actual return is compared to the benchmark return as a measure of relative performance. The benchmark return is based on the index returns for each asset class and the long-term target allocation of each asset class in the portfolio. The portfolio's long-term target asset allocation is specified in the Foundation's Investment Policy Statement. The revised Investment Policy Statement which was approved in 2009-2010 fiscal year was in force during this quarter. As a result, the Foundation's long-term target asset allocation and individual asset class indices in effect as at September 30, 2012 is as follows:

<b>Target Asset Allocation</b>	<b>Asset Class Index</b>
55% Fixed Income (including cash)	DEX Universe Bond Index (DEX 91-day T-Bill Index for cash)
20% Canadian equities	S&P TSX Composite Index
17.5% US equities	S&P 500 Index (C\$)
17.5% International equities	MSCI EAFE Index (C\$)

(f) Liquidity risk:

Liquidity risk is defined as the risk that the Foundation may not be able to settle or meet its obligations on time or at a reasonable price. The Foundation is exposed to liquidity risk as the Foundation is only able to utilize the investment income earned on the Endowment Fund to settle its obligations and such investment income fluctuates with the market conditions relating to the Foundation investment portfolio. The Foundation manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities. The Foundation manages its investments by maintaining capital management policies.

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At September 30, 2012 the Foundation has an unrestricted cash balance of \$823,388 (March 31, 2012 - \$238,682), which is in excess of the total liabilities recorded at September 30, 2012 of \$167,927 (March 31, 2012 -\$294,518).

**As at September 30, 2012, the Foundation's liabilities have contractual maturities as follows:**

	Less than 3 months \$	3 to 12 months \$	Over 1 year \$	Total \$
Accounts payable and accrued liabilities	17,665	-	997	18,662
Salaries and benefits payable	20	15,038	-	15,058
Obligation under capital lease	621	1,863	2,473	4,957

#### 5. Capital assets:

Capital Assets at net book value as at September 30, 2012:

	Cost	Accumulated amortization	Net book value
Office furniture and equipment	\$ 116,725	\$ 113,008	\$ 3,720
Computer hardware	167,906	157,299	10,607
Computer software	31,357	27,245	4,112
Database development	5,539	5,539	-
Artwork	16,225	-	16,225
Equipment under capital lease	11,254	4,501	6,753
	\$ 349,006	\$ 307,590	\$ 41,416

Amortization of capital assets expense is \$6,093 (March 31, 2012 - \$9,512).

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

	Cost	Accumulated amortization	Net book value
Office furniture and equipment	\$ 116,725	\$ 112,239	\$ 4,486
Computer hardware	167,906	154,433	13,473
Computer software	31,357	25,910	5,447
Database development	5,539	5,539	-
Artwork	16,225	-	16,225
Equipment under capital lease	11,254	3,376	7,878
	\$ 349,006	\$ 301,497	\$ 47,509

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##### 6. Obligation under capital lease:

The Foundation has entered into an agreement to rent office equipment under capital lease in March 2010. The obligation under capital lease, repayable in blended quarterly installments of \$621, including principal and interest at 4.25% with maturing date of March 31, 2015, is secured by related equipment.

	Six month ended September 30, 2012	March 31 2012
Obligation under capital lease	\$ 4,957	\$ 6,962

##### 7. Deferred contributions and deferred revenues:

Contributions received from non-government entities that are restricted for funded projects, training workshops, and programs are deferred, and recognized as revenue in the period that the related expenses are incurred.

Funds received by the Foundation through projects or subscriptions that are not yet earned through the provision of goods or services, are deferred by the Foundation, and recognized as revenue in the period that the earnings process is culminated.

Deferred contributions and deferred revenues recorded by the Foundation at September 30, 2012 are as follows:

	Six-month ended September 30, 2012	March 31, 2012
Deferred contributions from non-government sources	\$ 129,251	\$ 201,774
Deferred revenues – goods and services	-	14,520
Balance, end of this quarter	\$ 129,251	\$ 216,294

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

	Six-month ended September 30, 2012	March 31 2012
Balance, beginning of the period	\$ 216,294	\$ 99,032
Add: restricted contributions received from non-government sources	-	202,327
Less: amounts recognized as revenue	(87,043)	(85,065)
Balance, end of the period	\$ 129,251	\$ 216,294

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#### 8. Endowment:

The net assets of the Foundation include an Endowment Fund of \$24,000,000, which is considered restricted funds. The original contribution included \$12,000,000 which was part of the Redress Agreement with the National Association of Japanese Canadians, and \$12,000,000 from the Government of Canada.

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

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

#### 9. Contractual obligations:

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

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

The contractual obligations for the next five years are related to operating lease as at September 30, 2012 amounted to \$244,000 (March 31, 2012 - \$ 203,000).

#### 10. Net investment income:

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	Six-month ended September 30, 2012	Six-month ended September 30, 2011
	\$	\$
Realized gains (losses) on sale of investments	(599,346)	124,214
Interest from cash and fixed income investments, dividends, distributions from pooled fund units, gains on foreign exchange	509,041	499,460
Realized losses on foreign exchange	(833,660)	(26,464)
Less: transaction costs and investment counsel fees	(67,280)	(80,828)
Net investment income	(991,245)	516,382

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**11. Invested in capital assets:**

The investment in capital assets consists of the following:

	Three-month ended September 30, 2012	Six-month ended September 30, 2012
Capital assets	\$ 38,151	\$ 41,416
Less obligation under capital lease	(1,692)	(4,957)
	<u>\$ 36,459</u>	<u>\$ 36,459</u>

**12. Comparative figures:**

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