
Centre for International
Governance Innovation

FINANCIAL STATEMENTS

JULY 31, 2019



INDEPENDENT AUDITOR'S REPORT

To the Directors of The Centre for International Governance Innovation

Opinion

We have audited the financial statements of The Centre for International Governance Innovation (the "Organization"), which comprise the statement of financial position as at July 31, 2019, and the statements of revenues and expenditures and changes in fund balances and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at July 31, 2019, and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Zeifmans LLP

Toronto, Ontario
December 6, 2019

Chartered Professional Accountants
Licensed Public Accountants

Zeifmans

STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 2019

	JULY 31, 2019							JULY 31, 2018	
	RESTRICTED FUNDS								
	Long Term Endowment	Capital Assets	Campus	Africa	J Holmes	Balsillie Family Foundation Fund	Operating	Total	Total
ASSETS									
CURRENT									
Cash and cash equivalents	\$ 2,181,642	\$ -	\$ 1,012,458	\$ 4,616	\$ -	\$ 9,474,588	\$ 912,049	\$ 13,585,353	\$ 5,365,153
Portfolio investments (note 3)	56,754,002	-	11,965,297	5,749,090	417,481	11,152,042	18,906,582	104,944,494	121,220,809
Amounts receivable	-	-	-	-	-	400,430	205,383	605,813	1,449,886
Prepaid expenses	-	-	82,370	-	-	-	258,956	341,326	424,190
	58,935,644	-	13,060,125	5,753,706	417,481	21,027,060	20,282,970	119,476,986	128,460,038
OTHER									
Property and equipment (note 5)	-	3,444,660	51,959,370	-	-	-	-	55,404,030	57,285,957
Lease inducement	-	-	-	-	-	-	262,634	262,634	289,006
	-	3,444,660	51,959,370	-	-	-	262,634	55,666,664	57,574,963
TOTAL ASSETS	\$ 58,935,644	\$ 3,444,660	\$ 65,019,495	\$ 5,753,706	\$ 417,481	\$ 21,027,060	\$ 20,545,604	\$ 175,143,650	\$ 186,035,001

STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 2019

	JULY 31, 2019							JULY 31, 2018	
RESTRICTED FUNDS									
	Long Term Endowment	Capital Assets	Campus	Africa	J Holmes	Balsillie Family Foundation Fund	Operating	Total	Total
LIABILITIES AND FUND BALANCES									
CURRENT									
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,690,477	\$ 1,690,477	\$ 1,358,661
Deferred revenue	-	-	-	-	-	-	529,616	529,616	1,048,783
Unrealized loss on forward contracts (note 3)	-	-	-	-	-	-	-	-	174,518
Interfund loan (receivable) (note 7)	-	-	-	-	-	(190,514)	190,514	-	-
TOTAL LIABILITIES	-	-	-	-	-	(190,514)	2,410,607	2,220,093	2,581,962
FUND BALANCES									
Invested in capital assets	-	3,444,660	51,959,370	-	-	-	-	55,404,030	57,285,957
Externally restricted	58,935,644	-	12,431,298	5,753,706	417,481	21,217,574	-	98,755,703	100,044,972
Internally restricted	-	-	628,827	-	-	-	-	628,827	622,601
Unrestricted	-	-	-	-	-	-	18,134,997	18,134,997	25,499,509
TOTAL FUND BALANCES	58,935,644	3,444,660	65,019,495	5,753,706	417,481	21,217,574	18,134,997	172,923,557	183,453,039
	\$ 58,935,644	\$ 3,444,660	\$ 65,019,495	\$ 5,753,706	\$ 417,481	\$ 21,027,060	\$ 20,545,604	\$ 175,143,650	\$ 186,035,001

COMMITMENTS AND CONTINGENCIES (note 9)

APPROVED AND AUTHORIZED FOR ISSUE BY THE ORGANIZATION'S BOARD OF DIRECTORS ON DECEMBER 6, 2019



Director



Director

See notes to financial statements

STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2019

	2019							2018	
	RESTRICTED FUNDS								
	Long Term Endowment	Capital Assets	Campus	Africa	J Holmes	Balsillie Family Foundation Fund	Operating	Total	Total
REVENUE (LOSSES)									
Government and other grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,597,309	\$ 619,178	\$ 3,216,487	\$ 3,973,418
Realized investment income (note 10)	-	-	915,099	139,798	4,133	71,886	2,015,240	3,146,156	13,729,347
Unrealized investment gains (losses)	-	-	(401,865)	131,351	-	643,383	1,986,802	2,359,671	(3,172,983)
Other (note 10)	-	-	941,800	-	-	-	550,204	1,492,004	1,411,683
	-	-	1,455,034	271,149	4,133	3,312,578	5,171,424	10,214,318	15,941,465
EXPENSES									
Research and conferences	-	-	1,113,621	279,816	-	4,259,936	8,295,113	13,948,486	15,953,738
Administration	-	-	245,391	-	-	500,147	1,968,554	2,714,092	2,609,844
Amortization	-	283,613	1,722,069	-	-	-	-	2,005,682	2,084,159
Facilities	-	-	881,468	-	-	108,044	107,766	1,097,278	1,106,231
Technical support	-	-	420,795	-	-	86,648	470,819	978,262	966,608
	-	283,613	4,383,344	279,816	-	4,954,775	10,842,252	20,743,800	22,720,580
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)	-	(283,613)	(2,928,310)	(8,667)	4,133	(1,642,197)	(5,670,828)	(10,529,482)	(6,779,115)
FUND BALANCES - BEGINNING OF YEAR	58,275,835	3,719,468	69,184,964	5,746,429	413,348	21,697,926	24,415,069	183,453,039	190,232,154
	58,275,835	3,435,855	66,256,654	5,737,762	417,481	20,055,729	18,744,241	172,923,557	183,453,039
INTERFUND TRANSFERS (note 13)	659,809	8,805	(1,237,159)	15,944	-	1,161,845	(609,244)	-	-
FUND BALANCES - END OF YEAR	\$ 58,935,644	\$ 3,444,660	\$ 65,019,495	\$ 5,753,706	\$ 417,481	\$ 21,217,574	\$ 18,134,997	\$ 172,923,557	\$ 183,453,039

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JULY 31, 2019**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of expenses over revenue	\$ (10,529,482)	\$ (6,779,115)
Items not affecting cash:		
Amortization	2,005,681	2,084,160
Amortization of lease inducement	26,372	10,304
Gain on redemption and sale of portfolio investments, foreign currency translation and long-term investments	(523,004)	(11,246,154)
Unrealized investment losses (gains)	(2,359,671)	3,172,983
	<u>(11,380,104)</u>	<u>(12,757,822)</u>
Changes in non-cash working capital:		
Amounts receivable	844,073	(219,433)
Accounts payable and accrued liabilities	331,815	197,755
Deferred revenue	(519,167)	763,184
Prepaid expenses	82,865	688,713
	<u>739,586</u>	<u>1,430,219</u>
	<u>(10,640,518)</u>	<u>(11,327,603)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(123,755)	(189,509)
Purchase of portfolio investments	(27,342,573)	(33,925,077)
Proceeds on redemption and sale of portfolio investments and long- term investments	46,327,046	44,916,156
	<u>18,860,718</u>	<u>10,801,570</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE YEAR	8,220,200	(526,033)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,365,153</u>	<u>5,891,186</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 13,585,353</u>	<u>\$ 5,365,153</u>
CASH CONSISTS OF:		
Cash held in bank accounts	\$ 912,049	\$ 962,303
Cash held in investment broker accounts	12,673,304	4,402,850
	<u>\$ 13,585,353</u>	<u>\$ 5,365,153</u>

NOTES TO FINANCIAL STATEMENTS

July 31, 2019

1. BASIS OF PRESENTATION

The Centre for International Governance Innovation (“CIGI” or the “Organization”) is a charitable organization and an independent, nonpartisan think tank on international governance. Led by experienced practitioners and distinguished academics, CIGI supports research, forms networks, advances policy debate and generates ideas for multilateral governance improvements. Conducting an active agenda of research, events and publications, CIGI’s interdisciplinary work includes collaboration with policy, business and academic communities around the world. The Organization is incorporated under the *Canada Not for Profit Corporations Act* and is a registered charity under the Income Tax Act. As a result, the Organization is not subject to income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General -

The financial statements were prepared in accordance with ASNPO (“ASNPO”) and are applied consistently. The Organization has presented these financial statements in Canadian dollars.

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NOTES TO FINANCIAL STATEMENTS

July 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fund accounting -

The Organization follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the Organization's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the Organization's capital assets, excluding those of the CIGI Campus (the "Campus").

The Long Term Endowment Fund reports resources contributed for endowment. Certain of such resources are to be held for a period of ten years. Investment income earned on resources of the Long Term Endowment Fund is reported in the Operating Fund.

The Africa Fund is focused on the effects of climate change on Africa's security and socioeconomic development.

The Campus Fund is a CIGI initiative in collaboration with provincial and federal governments designed to house several graduate schools and programs. Two such initiatives are the Balsillie School of International Affairs ("BSIA") and the CIGI International Law Research Program (the "ILRP"). As a hub of different programs, the Campus Fund cultivates an interdisciplinary learning environment focused on developing knowledge of global governance issues.

The John Holmes Fund is focused on funding the operations of the library.

Based at the Campus, the Balsillie Family Foundation Fund (previously known as the ILRP Fund) was a \$60 million, ten-year, integrated and multi-disciplinary research and teaching program that was intended to provide leading academics, government and private sector legal experts, as well as students from Canada and abroad with the opportunity to contribute to advancements in international law. The law program was initiated on September 1, 2013 and was funded equally by CIGI and the Province of Ontario. The following were the ILRP's three primary areas of focus: international intellectual property law, international environmental laws and treaties, and international economic, financial and investment law, regulation and governance. During the year, the provincial government terminated the agreement and indicated that the program would only be funded under the terms of the agreement until May 16, 2019. After this date, no further funding will be received for the program from the provincial government. The remaining fund balance will be utilized for future strategic opportunities according to the terms of the agreement with the private donor.

Cash and cash equivalents -

Cash and cash equivalents consist of balances with banks and brokers and investments in money market instruments with original maturities of three months or less.

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NOTES TO FINANCIAL STATEMENTS

July 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Portfolio investments -

Mutual funds, equities and fixed income fund units are carried at fair value based on the latest closing price. Alternative investments are carried at fair value based on net asset value. The fair value of derivative financial instruments is based on the estimated amounts receivable or payable from the derivative contracts at the reporting date. The portfolio investments have been designated as those to be measured at fair value. Realized and unrealized gains or losses are recognized in the statement of revenue and expenses and change in fund balances for the year.

Property and equipment -

Property and equipment are stated at cost or deemed cost less accumulated amortization. Property and equipment are amortized over their estimated useful life at the following rates and methods:

Buildings and improvements	straight-line method over ten to forty years
Computer software	straight-line method over three years
Computer equipment	straight-line method over three years
Furniture and fixtures	straight-line method over five years
Office equipment	straight-line method over three years
Vehicles	straight-line method over five years

Amortization of assets acquired during the year is recorded at half the above rates.

Art capitalized by the Organization is not amortized.

The Organization tests for impairment of long-lived assets whenever events or changes in circumstances indicate the asset no longer contributes to the Organization's ability to provide goods and services or that the value of future economic benefits or service potential associated with the asset is less than its net carrying amount. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value or replacement cost in the statement of revenue and expenses and fund balances.

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NOTES TO FINANCIAL STATEMENTS

July 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition -

Contributions are recognized as revenue in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund when received or receivable.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment are recognized as revenue in the Long Term Endowment Fund in the year received or receivable.

Unrestricted investment income earned on Long Term Endowment Fund resources is recognized as revenue of the Operating Fund. Other investment income is recognized as revenue of the Operating Fund when earned.

Rental income is recognized as revenue in the Campus Fund over the term of the lease on a straight-line basis when collection is reasonably assured.

Significantly influenced entities -

Significant influence over a for-profit entity:

Investments in companies subject to significant influence by the Organization are accounted for by the equity method. Under this method, the original cost of the investment is adjusted for the Organization's share of dividends received and undistributed earnings or losses since acquisition.

Significant influence over a not-for-profit organization:

Significant influence over a not-for-profit organization is established without a transferable ownership interest and as a result exists through other means. The Organization discloses a description of the relationship with the significantly influenced organization; a clear description of the organization's purpose, intended community of services, its status under income tax legislation and its legal form; and the nature and extent of any economic interest that the Organization has in the significantly influenced organization. This entity has not been consolidated into the Organization's financial statements.

Contributed services -

Volunteers contribute many hours per year to assist the Organization in carrying out its charitable activities. Because of the difficulty in determining their fair value, contributed services are recognized in these financial statements only when a fair value can be reasonably estimated and when the services are used in the normal course of the Organization's operations and would otherwise have been purchased.

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NOTES TO FINANCIAL STATEMENTS

July 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Measurement uncertainty -

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates. Examples of estimates are the determination of market value of portfolio investments, the determination of the useful life of property and equipment, the determination of the value of assets disposed of and accrued liabilities.

Future changes in significant accounting policies -

The following accounting standards have been issued by the Chartered Professional Accountants of Canada (CPA Canada).

Effective August 1, 2019, the Organization has adopted Section 4433 "Tangible Capital Assets Held by Not-For-Profit Organizations", Section 4434 "Intangible Assets Held by Not-For-Profit Organizations" and Section 4441 "Collections Held by Not-For-Profit Organizations" from Part III of the CPA Canada Handbook. The purpose of these new sections is to provide guidance that is in line with Part II of the CPA Canada Handbook, Canadian accounting standards for private enterprises. Tangible capital assets are to be required to be componentized and to have distinct appropriate amortization rates and methods applied to each component. Write downs of both tangible and intangible assets are to reflect partial impairments and a list of conditions where impairment may be indicated is to be disclosed. All collections are to be consistently recorded at either cost or at nominal value.

The Organization has determined that the adoption of these standards will not have a material impact on the financial statements except for the disclosure and amortization surrounding componentization of tangible capital assets. The application of this standard will result in the buildings and improvements category being broken down into additional categories that will be disclosed in the financial statements.

NOTES TO FINANCIAL STATEMENTS

July 31, 2019

3. PORTFOLIO INVESTMENTS

	2019	2018
Equities and equity mutual fund units	\$ 50,267,707	\$ 94,539,646
Fixed income fund units	46,141,121	25,200,664
Alternative investments	7,489,358	444,544
Term deposits	1,046,308	1,035,955
	104,944,494	121,220,809
Unrealized loss on foreign currency forward contracts (a)	-	(174,518)
	\$ 104,944,494	\$ 121,046,291

- (a) Occasionally, the Organization enters into foreign currency forward contracts. These contracts require the Organization to purchase specific amounts of foreign currencies at a set price at specific future dates. The Canadian dollar amounts that could be received (paid) and the weighted average exchange rates for the foreign currency forward contracts are comprised as follows:

	2019		2018	
	Contract Amount Canadian Dollars	Weighted Average Rate	Contract Amount Canadian Dollars	Weighted Average Rate
United States dollar	\$ -	-	\$ (174,518)	1.2963

As at July 31, 2019, the exchange rate for the United States dollar was \$1.3148 (2018 - \$1.3017).

4. SIGNIFICANTLY INFLUENCED NOT-FOR-PROFIT ORGANIZATIONS

The Balsillie School of International Affairs (the “BSIA”) was incorporated on August 19, 2013 under the Canada Not for Profit Corporations Act. The Organization, through its representation on the board of directors, has significant influence over the BSIA. The purpose of BSIA is to support interdisciplinary research in the fields of multilateral and global governance with a view to raising the quality of people’s lives worldwide by identifying and offering options for solutions to critical issues facing humanity; to facilitate and promote research relationships and collaborations among academic researchers, students and other qualified experts affiliated with the members in multiple disciplines; and to provide networking, professional development and research opportunities for students, post-doctoral fellows and research associates affiliated with the members. The Organization does not intend to benefit economically from the operations of the BSIA. During the year, the Organization expensed \$204,767 (2018 - \$321,311) in relation to the BSIA, which is included in research and conferences expense. In addition, \$89,836 (2018 - \$118,318) is recognized as a prepaid expense.

NOTES TO FINANCIAL STATEMENTS

July 31, 2019

5. PROPERTY AND EQUIPMENT

	2019			2018
	Cost	Accumulated amortization	Net book value	Net book value
Buildings and improvements	\$ 78,246,068	\$ 23,175,145	\$ 55,070,923	\$ 56,932,428
Land	294,345	-	294,345	294,345
Computer software	265,103	242,398	22,705	40,016
Computer equipment	916,410	906,881	9,529	6,236
Art	5,000	-	5,000	5,000
Furniture and fixtures	667,439	665,911	1,528	7,932
Office equipment	341,626	341,626	-	-
Vehicles	32,754	32,754	-	-
	\$ 80,768,745	\$ 25,364,715	\$ 55,404,030	\$ 57,285,957

Included in buildings and improvements are assets with a net book value of \$51,959,370 (2018 - \$53,566,489) relating to the Campus.

6. BANK INDEBTEDNESS

The Organization has an unsecured \$500,000 overdraft credit facility against which \$nil (2018 - \$nil) has been drawn as at July 31, 2019. Under the overdraft credit facility agreement, outstanding amounts bear interest at the bank's prime lending rate plus 0.75% per annum.

7. INTERFUND LOANS

At July 31, 2019, the Operating Fund owed the Balsillie Family Foundation Fund \$190,514 (2018 - \$nil) for monies transferred between the funds. The loan is without interest, security or stated terms of repayment.

8. CAPITAL DISCLOSURES

The Organization's capital is comprised of its net fund balances. The Organization's capital management objectives are to safeguard its capital and to ensure it is able to finance its growth and strategic plans. There were no changes to the Organization's approach to capital management during the year.

Included in the Organization's Long Term Endowment Fund is a restricted fund created by contributors including the Government of Canada. The income from the fund is used for the Organization's operations but the capital is restricted from encroachment and may not fall below \$30,000,000. At July 31, 2018 and 2019 the capital balance of this fund is calculated to be \$50,650,903.

NOTES TO FINANCIAL STATEMENTS

July 31, 2019

9. COMMITMENTS AND CONTINGENCIES

(a) Lease commitment -

The Organization has a commitment to lease land from the City of Waterloo for a period of ninety-nine years ending June 2107 for \$1 per annum for the purposes of the Campus.

(b) Program obligations -

In 2011, the Organization signed a program agreement with the Institute for New Economic Thinking. In 2013, this agreement was amended. The Organization is committed to expenditures of \$20,000,000 over the term of the amended agreement which is to expire July 31, 2021. For the period from the signing of the original agreement to July 31, 2019 the Organization has incurred cumulative expenses in the amount of \$14,206,795 (for the period from signing of the agreement to July 31, 2018 - \$13,204,363). A total of \$1,002,432 of expenses were incurred in the current year (2018 - \$1,486,934).

In 2013, the Organization signed an agreement with a provincial government and a private donor to develop and launch the ILRP. Under this agreement, the Organization was to incur expenditures of \$60,000,000 over the term of the agreement which was to expire July 31, 2024. The funding was to be split in equal portions between the provincial government and the private donor. The private donor is a related party who has significant influence on the Organization. The provincial government has funded \$2,577,309 of its total commitment of \$30,000,000 during the year (2018 - \$1,588,662). For the period from the signing of the agreement to July 31, 2019, the Organization has incurred cumulative costs of \$27,375,358 (for the period from signing of the agreement to July 31, 2018 - \$22,410,986), which includes \$18,051 (2017 - \$18,051) of capital costs for furniture, the costs of which are included in the Capital Asset Fund. A total of \$4,964,372 of expenses were incurred in the current year (2018 - \$7,652,900), which includes \$nil (2018 - \$nil) of capital costs for furniture, the costs of which are included in the Capital Asset Fund. No further funding will be provided under this agreement from the provincial government effective May 16, 2019 and as a result, CIGI is no longer under obligation to incur future expenditures.

The funds received by the private donor continue to be held in the Balsillie Family Foundation Fund and will be utilized in future programs upon approval from the donor.

(c) Claims and litigation -

From time to time, the Organization is involved in claims and litigation primarily arising from the normal course of business. The outcome of such claims and litigation is indeterminable at this time. Management believes that the resolution of these actions will not have a material adverse effect on the financial condition of the Organization.

NOTES TO FINANCIAL STATEMENTS

July 31, 2019

10. OTHER SUPPLEMENTAL INFORMATION

(a) **Rental income -**

For the year, the Organization recognized \$1,424,295 (2018 - \$1,334,078) of rental income included in other revenue.

(b) **Realized investment income -**

Realized investment income is comprised as follows:

	<u>2019</u>	<u>2018</u>
Interest	\$ 1,858,383	\$ 1,728,367
Dividends	1,058,113	1,245,364
Gain on sale of portfolio investments	699,668	6,512,600
Gain on sale of long-term investment	-	4,142,591
Foreign currency translation gain (loss)	(176,664)	590,961
Management fees	(293,344)	(490,536)
	<u>\$ 3,146,156</u>	<u>\$ 13,729,347</u>

11. POST EMPLOYMENT BENEFITS

The Organization operates a defined contribution retirement plan for its employees. The retirement plan is funded by payments from the employees and the Organization. The payments by the Organization are charged to the statement of revenue and expenses for the period as incurred. The Organization has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. The assets of the pension plan are held by an independent entity. Pension expense for the year ended July 31, 2019 was \$416,116 (2018 – \$424,037).

12. FINANCIAL INSTRUMENTS

(a) **Financial assets -**

The carrying amount of financial assets measured at fair value is \$118,529,849 (2018 - \$126,585,962).

The carrying amount of financial assets measured at amortized cost is \$605,813 (2018 - \$1,449,886).

(continues)

NOTES TO FINANCIAL STATEMENTS

July 31, 2019

12. FINANCIAL INSTRUMENTS (*continued*)

(b) **Financial risks -**

The Organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Organization's risk exposure and concentration as of July 31, 2019.

Credit risk

Certain of the Organization's financial instruments are subject to credit risk, being the risk of financial loss occurring as a result of default of counterparties on their obligations. The Organization is subject to credit risk on its accounts receivable, fixed income securities held and cash.. As at July 31, 2019, 75% (2018 - 79%) of the amounts receivable balance is from one organization.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Organization is exposed to all three.

Currency risk

Currency risk is the risk to the Organization's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Organization is exposed to foreign currency exchange risk on cash and cash equivalents of \$971,966 (2018 - \$960,254) and portfolio investments of \$5,579,273 (2018 - \$7,850,045) that are denominated in United States dollars.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Organization is exposed to interest rate risk to the extent of investments held in fixed income securities.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization is exposed to other price risk through its portfolio investments in quoted shares. Approximately, 55% (2018 - 78%) of the Organization's portfolio investments are in equities and alternative investments and are subject to the other price risk.

The Organization manages risk by employing professional and experienced portfolio advisors, by daily monitoring of the Organization's positions and market events and by diversifying the investment portfolio within the constraints of the investment objective. To assist in managing risk, the Organization also maintains a governance structure that oversees the Organization's investment activities and monitors compliance with the Organization's stated investment strategy and securities regulations.

NOTES TO FINANCIAL STATEMENTS

July 31, 2019

13. INTERFUND TRANSFERS

Transfers between funds during a reporting period do not result in increases or decreases in the economic resources of the Organization as a whole. These transfers represent an allocation of resources between various funds.

The following table summarizes the transfers for the year:

	TRANSFERS TO (FROM)						
	Long Term Endowment Fund	Capital Asset Fund	Campus Fund	Africa Fund	J Holmes Fund	Balsillie Family Foundation Fund	Operating Fund
From Long Term Endowment Fund to Operating Fund (a)	\$ 659,809	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (659,809)
To Capital Asset Fund from Operating Fund (b)	-	8,805	-	-	-	-	(8,805)
From Campus Fund to Operating Fund (c)	-	-	(1,237,159)	-	-	-	1,237,159
From Africa Fund to Operating Fund (d)	-	-	-	15,944	-	-	(15,944)
From Balsillie Family Foundation Fund to Operating Fund (e)	-	-	-	-	-	1,161,845	(1,161,845)
	\$ 659,809	\$ 8,805	\$ (1,237,159)	\$ 15,944	\$ -	\$ 1,161,845	\$ (609,244)

(a) The transfer from the Operating Fund to the Long Term Endowment Fund was made to repay prior fund advances by the Operating Fund.

(b) The transfer to the Capital Asset Fund from the Operating Fund was made to fund property and equipment acquisitions.

(c) The transfer to the Operating Fund from the Campus Fund was made to fund operating activities.

(d) The transfer to the Africa Fund from the Operating Fund was made to fund research and conference activities in the Africa Fund.

(e) The transfer from the Operating Fund to the Balsillie Family Foundation Fund (formerly ILRP) was made to repay prior fund advances by the Operating Fund.