The Centre for International Governance Innovation
Centre pour l'innovation dans la gouvernance internationale

THE CENTRE FOR INTERNATIONAL GOVERNANCE INNOVATION

FINANCIAL STATEMENTS

JULY 31, 2013

INDEPENDENT AUDITORS' REPORT

To the Directors of
The Centre for International Governance Innovation

We have audited the accompanying financial statements of The Centre for International Governance Innovation (the "Organization"), which comprise the statement of financial position as at July 31, 2013 and the statements of revenues and expenses and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as at July 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accounting standards for not-for-profit organizations.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 2(a) to the financial statements which describes that the Organization adopted Canadian accounting standards for not-for-profit organizations on August 1, 2012 with a transition date of August 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at July 31, 2012 and August 1, 2011, and the statements of operations and changes in fund balance and cash flows for the year ended July 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Zeifmans LLP

November 20, 2013 — Chartered Accountants
Toronto, Ontario — Licensed Public Accountants

ZEIFMANS LLP
CHARTERED ACCOUNTANTS

STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 2013

ASSETS

	JULY 31, 2013								JULY 31, 2012 (unaudited)	AUGUST 1, 2011 (unaudited)
	Restricted Funds									
	Long Term Endowment	Capital Asset	Campus	Africa	J Holmes	Decade	Operating	Total	Total	Total
Current assets										
Cash and cash equivalents	$ 778,177	$ -	$ -	$ -	$ 575	$ 210,045	$ 543,997	**$ 1,532,794**	$ 3,462,839	$ 4,641,551
Accounts receivable	-	-	6,733	-	-	-	202,051	**208,784**	396,688	2,319,456
Assets held for sale (note 3)	-	-	-	-	-	-	-	**-**	1,221,500	-
Prepaid expenses	-	-	268,668	2,120	-	-	112,012	**382,800**	581,346	137,945
	778,177	-	275,401	2,120	575	210,045	858,060	**2,124,378**	5,662,373	7,098,952
Other assets										
Property and equipment (note 4)	-	4,306,613	66,268,371	-	-	-	-	**70,574,984**	73,699,388	67,231,224
Portfolio investments (note 5)	53,417,441	-	29,751,690	6,558,033	410,801	13,526,125	19,514,774	**123,178,864**	118,988,242	141,821,055
	53,417,441	4,306,613	96,020,061	6,558,033	410,801	13,526,125	19,514,774	**193,753,848**	192,687,630	209,052,279
TOTAL ASSETS	$ 54,195,618	$ 4,306,613	$ 96,295,462	$ 6,560,153	$ 411,376	$ 13,736,170	$ 20,372,834	**$ 195,878,226**	$ 198,350,003	$ 216,151,231

(See notes to financial statements)

STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 2013

L I A B I L I T I E S   A N D   F U N D   B A L A N C E S

	JULY 31, 2013								JULY 31, 2012 (unaudited)	AUGUST 1, 2011 (unaudited)
	Restricted Funds									
	Long Term Endowment	Capital Asset	Campus	Africa	J Holmes	Decade	Operating	Total	Total	Total
Current liabilities										
Accounts payable and accrued liabilities	$ -	$ -	$ 657,274	$ 33,666	$ -	$ 12,882	$ 481,802	**$ 1,185,624**	$ 1,284,861	$ 12,638,670
Deferred revenue	-	-	70,184	-	-	-	100,891	**171,075**	38,110	26,065
Current portion of amount payable (note 7)	-	-	-	-	-	-	-	-	31,897	40,743
Unrealized loss on forward contracts (note 5)	216,266	-	-	-	-	-	-	**216,266**	110,079	6,740
	216,266	-	727,458	33,666	-	12,882	582,693	**1,572,965**	1,464,947	12,712,218
Long-term liabilities										
Amount payable (note 7)	-	-	-	-	-	-	-	-	-	31,897
TOTAL LIABILITIES	216,266	-	727,458	33,666	-	12,882	582,693	**1,572,965**	1,464,947	12,744,115
Fund balances										
Invested in capital assets	-	4,306,613	66,268,371	-	-	-	-	**70,574,984**	74,920,888	67,158,584
Externally restricted	53,979,352	-	28,399,544	6,526,487	411,376	13,723,288	-	**103,040,047**	108,421,814	124,649,328
Internally restricted	-	-	900,089	-	-	-	-	**900,089**	1,012,553	1,136,810
Unrestricted	-	-	-	-	-	-	19,790,141	**19,790,141**	12,529,801	10,462,394
TOTAL FUND BALANCES	53,979,352	4,306,613	95,568,004	6,526,487	411,376	13,723,288	19,790,141	**194,305,261**	196,885,056	203,407,116
	$ 54,195,618	$ 4,306,613	$ 96,295,462	$ 6,560,153	$ 411,376	$ 13,736,170	$ 20,372,834	**$ 195,878,226**	$ 198,350,003	$ 216,151,231

COMMITMENTS (NOTE 9)

APPROVED AND AUTHORIZED FOR ISSUE BY THE COMPANY'S BOARD OF DIRECTORS ON NOVEMBER 20, 2013.

DIRECTOR

DIRECTOR

(See notes to financial statements)

STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2013

	2013								2012
	Restricted Funds								(unaudited)
	Long Term Endowment	Capital Asset	Campus	Africa	J Holmes	Decade	Operating	Total	Total
REVENUE (LOSS)									
Realized investment income	$ -	$ -	$ -	$ 252,205	$ 2,792	$ 871,356	$ 5,915,085	**$ 7,041,438**	$ 4,914,556
Donations	-	-	-	-	-	-	-	**-**	3,494,726
Other	-	-	567,733	-	15,276	-	84,163	**667,172**	837,891
Government grants	-	-	16,200	-	-	-	13,500	**29,700**	92,589
Unrealized investment gain (loss)	-	-	-	378,571	255	(317,738)	4,261,232	**4,322,320**	(748,150)
	-	-	583,933	630,776	18,323	553,618	10,273,980	**12,060,630**	8,591,612
EXPENSES									
Research and conferences	-	-	1,882,692	666,840	-	3,211,828	1,452,390	**7,213,750**	8,608,976
Administration	-	-	387,804	350,980	85	166,756	980,743	**1,886,368**	2,326,566
Amortization	-	451,138	3,026,934	-	-	-	-	**3,478,072**	1,923,792
Technical support	-	-	519,875	25,222	20,806	82,037	370,522	**1,018,462**	917,647
Facilities	-	-	730,260	-	-	101,087	212,426	**1,043,773**	856,933
Loss on asset held for sale (note 3)	-	-	-	-	-	-	-	**-**	479,758
	-	451,138	6,547,565	1,043,042	20,891	3,561,708	3,016,081	**14,640,425**	15,113,672
Excess of revenue over expenses (expenses over revenue)	-	(451,138)	(5,963,632)	(412,266)	(2,568)	(3,008,090)	7,257,899	**(2,579,795)**	(6,522,060)
Fund balances, beginning of the year	54,149,415	5,607,445	100,799,745	7,207,706	408,328	16,182,617	12,529,800	**196,885,056**	203,407,116
Interfund transfers (note 13)	(170,063)	(849,694)	731,891	(268,953)	5,616	548,761	2,442	**-**	-
Fund balances, end of the year	$ 53,979,352	$ 4,306,613	$ 95,568,004	$ 6,526,487	$ 411,376	$ 13,723,288	$ 19,790,141	**$ 194,305,261**	$ 196,885,056

(See notes to financial statements)

CASH FLOW STATEMENT
FOR THE YEAR ENDED JULY 31, 2013

	2013	2012 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of expenses over revenue for the year	**$ (2,579,795)**	$ (6,522,060)
Items not requiring an outlay (providing an inflow) of cash:		
Unrealized investment gain (loss)	**(4,322,320)**	748,150
Amortization	**3,478,072**	1,923,792
Loss on assets held for sale	**-**	479,758
Non-cash donation revenue	**-**	(1,035,158)
Gain on sale of asset held for sale	**(1,470)**	-
Gain on redemption and sale of portfolio investments	**(5,197,453)**	(2,120,316)
Net changes in non-cash working capital items related to operations:		
Accounts receivable	**187,904**	1,922,768
Accounts payable and accrued liabilities	**(218,034)**	(11,353,809)
Deferred revenue	**132,965**	12,045
Prepaid expenses	**198,546**	(443,401)
	(8,321,585)	(16,388,231)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	**(234,871)**	(9,058,057)
Repayment of amount payable	**(31,898)**	(40,743)
Purchase of portfolio investments	**(47,717,246)**	(54,296,387)
Proceeds on redemption and sale of portfolio investments	**53,152,585**	78,604,706
Proceeds from sale of assets held for sale	**1,222,970**	-
	6,391,540	15,209,519
NET DECREASE IN CASH FOR THE YEAR	**(1,930,045)**	(1,178,712)
CASH, BEGINNING OF THE YEAR	**3,462,839**	4,641,551
CASH, END OF THE YEAR	**$ 1,532,794**	$ 3,462,839

(See notes to financial statements)

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 Corporations Act* as a not-for-profit organization 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

(a) General -

The Organization's accounting policies are in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and are applied consistently. These are the Organization's first annual financial statements prepared in accordance with ASNPO. The disclosures concerning the transition from Canadian generally accepted accounting principles ("GAAP") to ASNPO are included in note 15.

(b) 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, revenue and expenses related to the Organization's capital assets, excluding those of the CIGI Campus (the "Campus").

Resources contributed for endowment are included in the Long Term Endowment Fund. Certain of such resources are to be held for a period of ten years or upon the dissolution, liquidation or winding up of the Organization, whichever occurs later. Certain of such resources contributed by the Federal Government of Canada is restricted in perpetuity. Investment income earned on resources of the Long Term Endowment Fund is reported in the Operating Fund.

The Decade Fund is focused on long-term research and capacity building projects to contribute to the development of innovative ideas that are relevant to the Province of Ontario.

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. One such initiative is the already established Balsillie School of International Affairs ("BSIA"). Other initiatives on the Campus are currently being developed by CIGI. As a hub of different schools and programs, the Campus cultivates an interdisciplinary learning environment focused on developing knowledge of global issues.

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

(c) Cash and cash equivalents -

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

(d) **Revenue recognition -**

Contributions are recognized as revenue in the Long Term Endowment Fund 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 of other materials and services are recognized at fair value on the date of contribution if fair value can be reasonably estimated.

(e) **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.

(f) **Property and equipment -**

Property and equipment are stated at cost and amortization is provided as follows:

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

One-half of the above rates is applied in the year of acquisition.

The Organization tests for impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 in the statement of revenue and expenses and fund balances.

(g) **Investment in significantly influenced company -**

The investment in the company subject to significant influence is 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.

(h) **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 materials and services are used in the normal course of the Organization's operations and would otherwise have been purchased.

(i) **Measurement uncertainty -**

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amount of revenue and expenses during the reported period. Actual results may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the statement of revenue over expenses and fund balances in the period in which such adjustments become known. An example of the use of estimates is in determination of the useful life of property and equipment and accrued liabilities.

(j) **Comparative figures -**

Certain of the prior year figures have been reclassified for consistency with the presentation adopted for the current year.

3. ASSET HELD FOR SALE

On March 30, 2012 the Organization's board approved a plan to sell one of its properties for $1,300,000. On September 14, 2012 the Organization entered into an agreement to sell the property and, as a result, the property was reclassified as assets held for sale. The carrying amount had been written down to the selling price less costs to sell in fiscal 2012. On November 6, 2012 the sale was completed and the resulting gain of $1,470 was recognized in the statement of revenues and expenses and fund balances in the current year.

4. PROPERTY AND EQUIPMENT

Property and equipment are comprised as follows:

	2013			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value (unaudited)	Net book value (unaudited)
Buildings and improvements	$ 76,575,619	$ 6,450,700	**$ 70,124,919**	$ 73,127,002	$ 65,558,613
Land	297,346	-	**297,346**	297,346	1,399,106
Furniture and fixtures	477,125	364,634	**112,491**	175,152	144,079
Computer equipment	891,765	855,687	**36,078**	80,530	81,971
Office equipment	335,831	331,681	**4,150**	14,238	24,539
Vehicles	32,754	32,754	**-**	3,275	9,826
Computer software	82,902	82,902	**-**	1,845	13,090
	$ 78,693,342	$ 8,118,358	**$ 70,574,984**	$ 73,699,388	$ 67,231,224

Included in buildings and improvements costs are $66,184,464 (July 31, 2012 (unaudited) - $68,957,769, August 1, 2011 (unaudited) - $60,807,987) and included in furniture and fixture costs are $83,907 (July 31, 2012 (unaudited) - $130,101, August 1, 2011 (unaudited) - $94,969) relating to the Campus.

Included in cost of buildings and improvements are $nil (July 31, 2012 (unaudited) - $1,035,158, August 1, 2011 (unaudited) - $nil) of gift in kind contributions made during the year. These contributions are restricted for use of the Campus Fund.

5. PORTFOLIO INVESTMENTS

Portfolio investments are recorded at fair value and are comprised as follows:

	July 31, 2013	July 31, 2012 (unaudited)	August 1, 2011 (unaudited)
Equities and equity mutual funds	**$ 70,243,273**	$ 62,797,141	$ 48,197,907
Fixed income fund units	**49,647,880**	52,333,875	66,314,532
Alternative investments	**1,974,897**	2,396,272	25,726,414
Term deposits	**900,089**	1,012,552	1,136,810
Money market fund units	**410,801**	407,753	404,320
Unrealized gain on forward currency contracts (a)	**1,924**	40,649	41,072
	123,178,864	118,988,242	141,821,055
Unrealized loss on forward currency contracts (a)	**(216,266)**	(110,079)	(6,740)
	$ 122,962,598	$ 118,878,163	$ 62,797,141

(a) 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 and the weighted average exchange rates for the foreign currency forward contracts are comprised as follows:

	July 31, 2013		July 31, 2012		August 1, 2011	
	Contract Amount Canadian $	Weighted Average Rate	Contract Amount Canadian $	Weighted Average Rate	Contract Amount Canadian $	Weighted Average Rate
US dollar	$ 8,425,920	$ 1.0058	$ 8,654,186	$ 1.0131	$ 2,480,346	$ 0.9046
Euro	550,469	1.2714	464,069	1.6122	472,790	1.2611
British pound	480,950	1.5115	569,318	1.7523	549,548	1.5685
Japanese yen	20,047	0.0102	34,828	0.0132	97,569	0.0119
Total	$ 9,477,386		$ 9,722,401		$ 3,600,253	

The exchange rates were:

	July 31, 2013	July 31, 2012	August 1, 2011
US dollar	1.0287	1.0029	0.9538
Euro	1.3675	1.2331	1.3722
British pound	1.5618	1.5707	1.5694
Japanese yen	0.0105	0.0128	0.0124

6. BANK INDEBTEDNESS

The Organization has an unsecured $500,000 overdraft credit facility against which $nil has been drawn as at July 31, 2013 (July 31, 2012 (unaudited) - $nil, August 1, 2011 (unaudited) - $nil). Under the overdraft credit facility agreement, outstanding amounts bear interest at the bank's prime lending rate plus 0.75% per annum.

7. AMOUNT PAYABLE

As of August 1, 2011, the Organization was committed to future payments of $31,897 relating to the relocation of a former tenant of a building owned by the Organization. This balance was fully paid in fiscal 2013.

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 Endowment Fund is a restricted fund created by contributors including the Federal Government of Canada. The income from the fund is used for the Organization's operations but the capital is restricted from encroachment, is to be protected in perpetuity and may not fall below $30,000,000.

At July 31, 2013, July 31, 2012 and August 1, 2011 the capital balance of this fund is calculated to be $50,650,903.

9. COMMITMENTS AND CONTINGENCIES

(a) Organizational obligations -

The Organization is committed to making payments to various organizations towards various initiatives to promote public interest and debate regarding Canadian foreign policy and international relations and in international relations and international institution-building and governance.

These payments are due and will be expensed as follows:

In the year ending July 31, 2014	$ 730,000
2015	730,000
2016	730,000
2017	730,000
	$ 2,920,000

(b) 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.

(c) **Program obligation -**

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 agreement to July 31, 2013 the Organization has incurred cumulative expenses in the amount of $3,849,805 (for the period from signing of the agreement to July 31, 2012 (unaudited) - $2,175,843).

(d) **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.

10. CASH FLOW AND SUPPLEMENTARY INFORMATION

(a) **Interest paid -**

Cash interest paid during the year was $814 (2012 (unaudited) - $6,524).

(b) **Foreign currency translation gain -**

During the year, the Organization incurred a foreign currency translation loss in the amount of $36,514 (2012 (unaudited) - gain of $92,869) which is included in investment income.

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, 2013 was $110,990 (2012 (unaudited) - $124,736).

12. FINANCIAL INSTRUMENTS

(a) Financial assets -

The carrying amount of financial assets measured at fair value is $124,711,658 (July 31, 2012 (unaudited) - $122,451,081, August 1, 2011 (unaudited) - $146,462,606).

The carrying amount of financial assets measured at amortized cost is $208,784 (July 31, 2012 (unaudited) - $396,688, August 1, 2011 (unaudited) - $2,319,456).

(b) Financial risks -

(i) Price risk -

The portfolio is exposed to price risk, which is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. Approximately 59% (July 31, 2012 (unaudited) - 54%, August 1, 2011 (unaudited) - 52%) of the Organization's portfolio investments are in equities and alternative investments and subject to price risk.

Approximately 40% (July 31, 2012 (unaudited) - 43%, August 1, 2011 (unaudited) - 47%) of portfolio investments are invested in fixed income securities.

(ii) Foreign exchange risk -

The Organization is also subject to foreign exchange risk as $17,343,652 (July 31, 2012 (unaudited) - $11,551,602, August 1, 2011 (unaudited) - $6,205,462) of portfolio investments and $999,838 (July 31, 2012 (unaudited) - $848,480, August 1, 2011 (unaudited) - $571,883) of cash and cash equivalents are denominated in United States dollars. Some of this risk is offset by the use of forward contracts denominated in United States dollars. In addition, the Organization is subject to foreign exchange risk on forward contracts in other currencies in that there is no cash or investments denominated in those currencies at year end. (see note 5).

(iii) Credit risk -

Certain of the Organization's financial instruments are also subject to credit risk, being the risk of financial loss occurring as a result of default of counterparties on their obligations. As at July 31, 2013, there is no significant concentration of the Organization's receivable balance.

The Organization manages risk by employing professional, 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.

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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 during the year:

	Transfers to (from)						
	Endowment Fund	Capital Asset Fund	Campus Fund	Africa Fund	J Holmes Fund	Decade Fund	Operating Fund
To Operating Fund from Endowment Fund (a)	$ (170,063)	$ -	$ -	$ -	$ -	$ -	$ 170,063
To Operating Fund from Capital Fund (b)	-	(849,694)	-	-	-	-	849,694
To Campus Fund from Operating Fund (c)	-	-	731,891	-	-	-	(731,891)
To Operating Fund from Africa Fund (d)	-	-	-	(268,953)	-	-	268,953
To John Holmes Fund from Operating Fund (e)	-	-	-	-	5,616	-	(5,616)
To Decade Fund from Operating Fund (f)	-	-	-	-	-	548,761	(548,761)
	$ (170,063)	$ (849,694)	$ 731,891	$ (268,953)	$ 5,616	$ 548,761	$ 2,442

(a) The transfer to the Operating Fund from the Endowment Fund reflects a variance in estimated total returns.

(b) The transfer to the Operating Fund from the Capital Fund reflects the net impact of the disposition a capital property offset by current year additions.

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

(d) The transfer to the Operating Fund from the Africa Fund represents underspending in the Africa Fund compared to forecast.

(e) The transfer to the J Holmes Fund from the Operating Fund was made to fund shortfalls.

(f) The transfer to the Decade Fund from the Operating Fund was made to fund shortfalls.

14. RELATED PARTY TRANSACTIONS

During the year, the Organization received a cash donation in the amount of $nil (2012 (unaudited) - $58,720) from a charitable foundation controlled by a director of the Organization.

Related party transactions are recorded at the fair value on the date of the transaction which is also the exchange amount and the amount agreed to by the related parties.

15. TRANSITION TO ASNPO

As stated in note 1, these are the Organization's first annual financial statements prepared in accordance with ASNPO. The foundation has applied Part III of the Canadian Institute of Chartered Accountants Handbook Section 1501 "First-time adoption" and the accounting policies as set out in note 2 have been applied in preparing the financial statements for the year ended July 31, 2013, the comparative information presented in these financial statements for the year ended July 31, 2012 and in preparation of an opening ASNPO statement of financial position at August 1, 2011 (the Organization's date of transition). The Organization has elected to utilize the exemption for retrospective application to previous related party transactions upon its adoption of section 3840 "Related Party Transactions." The Organization has also elected to utilize the exemption for retrospective application related to its financial instruments upon its adoption of section 3856, "Financial Instruments".

In preparing its opening ASNPO statement of financial position, the Organization assessed that there were no material differences between the amounts reported as at July 31, 2011 under GAAP and as at August 1, 2011 upon transition to ASNPO. As such no reconciliation between its combined financial statements under GAAP and ASNPO are presented in this note.

16. SUBSEQUENT EVENTS

In September 2013 the Organization entered into an agreement that terminates on December 31, 2024 with the Ministry of Training, Colleges and Universities (the “Ministry”) to develop and launch an International Law Research Program. Total funding under the agreement is $60,000,000 which is to be contributed equally by both the Ministry and the Organization. As at November 20, 2013 the Organization has received donations in the amount of $20,000,000 from a foundation controlled by one of the directors of the Organization towards its share of the contribution.