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Centre for International  
Governance Innovation

# **FINANCIAL STATEMENTS**

**JULY 31, 2017**

## 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, 2017 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, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

December 1, 2017  
Toronto, Ontario

*Zeifmans LLP*

Chartered Accountants  
Licensed Public Accountants

Centre for International  
Governance Innovation

STATEMENT OF FINANCIAL POSITION  
AS AT JULY 31, 2017

	ASSETS									JULY 31, 2016
	JULY 31, 2017									
	Restricted Funds									
	Long Term Endowment	Capital Asset	Campus	Africa	J Holmes	Decade	ILRP	Operating	Total	Total
<b>Current assets</b>										
Cash and cash equivalents	\$ 3,461,635	\$ -	\$ 73,597	\$ 21,172	\$ -	\$ -	\$ 761,868	\$ 1,572,914	\$ 5,891,186	\$ 7,666,613
Portfolio investments (note 3)	55,820,187	-	17,016,938	5,847,696	411,695	-	24,358,138	20,512,090	123,966,744	131,003,910
Accounts receivable	-	-	-	-	-	-	-	1,230,454	1,230,454	2,051,600
Prepaid expenses	-	-	640,385	-	-	-	34,967	437,551	1,112,903	458,129
	59,281,822	-	17,730,920	5,868,868	411,695	-	25,154,973	23,753,009	132,201,287	141,180,252
<b>Other assets</b>										
Property and equipment (note 5)	-	3,947,056	55,233,552	-	-	-	-	-	59,180,608	61,614,685
Lease inducement	-	-	-	-	-	-	-	299,310	299,310	216,815
	-	3,947,056	55,233,552	-	-	-	-	299,310	59,479,918	61,831,500
<b>TOTAL ASSETS</b>	\$ 59,281,822	\$ 3,947,056	\$ 72,964,472	\$ 5,868,868	\$ 411,695	\$ -	\$ 25,154,973	\$ 24,052,319	\$ 191,681,205	\$ 203,011,752

(See notes to financial statements)

Centre for International  
Governance Innovation

STATEMENT OF FINANCIAL POSITION  
AS AT JULY 31, 2017

LIABILITIES AND FUND BALANCES

	JULY 31, 2017									JULY 31, 2016
	Restricted Funds									
	Long Term Endowment	Capital Asset	Campus	Africa	J Holmes	Decade	ILRP	Operating	Total	Total
<b>Current liabilities</b>										
Bank indebtedness (note 6)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 132,070
Accounts payable and accrued liabilities	-	-	-	-	-	-	-	1,160,906	1,160,906	1,693,622
Deferred revenue	-	-	-	-	-	-	-	285,599	285,599	375,622
Unrealized loss on forward contracts (note 3)	2,546	-	-	-	-	-	-	-	2,546	164,579
<b>TOTAL LIABILITIES</b>	2,546	-	-	-	-	-	-	1,446,505	1,449,051	2,365,893
<b>Fund balances</b>										
Invested in capital assets	-	3,947,056	55,233,552	-	-	-	-	-	59,180,608	61,614,685
Externally restricted	59,279,276	-	17,110,810	5,868,868	411,695	-	25,154,973	-	107,825,622	115,055,622
Internally restricted	-	-	620,110	-	-	-	-	-	620,110	836,035
Unrestricted	-	-	-	-	-	-	-	22,605,814	22,605,814	23,139,517
<b>TOTAL FUND BALANCES</b>	59,279,276	3,947,056	72,964,472	5,868,868	411,695	-	25,154,973	22,605,814	190,232,154	200,645,859
	\$ 59,281,822	\$ 3,947,056	\$ 72,964,472	\$ 5,868,868	\$ 411,695	\$ -	\$ 25,154,973	\$ 24,052,319	\$ 191,681,205	\$ 203,011,752

COMMITMENTS AND CONTINGENCIES (NOTE 8)

APPROVED AND AUTHORIZED FOR ISSUE BY THE ORGANIZATION'S BOARD OF DIRECTORS ON DECEMBER 01, 2017.



DIRECTOR



DIRECTOR  
(See notes to financial statements)



Centre for International  
Governance Innovation

**STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JULY 31, 2017**

	2017									2016
	Long Term Endowment	Capital Asset	Restricted Funds					Operating	Total	Total
			Campus	Africa	J Holmes	Decade	ILRP			
<b>REVENUE (LOSS)</b>										
Realized investment income (note 9(b))	\$ -	\$ -	\$ 1,566,893	\$ 536,171	\$ 2,040	\$ 4,877	\$ 848,171	\$ 6,379,488	\$ 9,337,640	\$ 4,640,288
Government and other grants	-	-	-	-	-	20,005	3,179,377	326,018	3,525,400	3,772,027
Other (note 9(a))	-	-	789,278	-	-	-	-	530,144	1,319,422	1,261,777
Unrealized investment gain (loss)	-	-	(262,985)	(188,991)	-	8,585	241,842	(1,815,242)	(2,016,791)	(1,379,562)
	-	-	2,093,186	347,180	2,040	33,467	4,269,390	5,420,408	12,165,671	8,294,530
<b>EXPENSES</b>										
Research and conferences	-	-	1,783,125	514,369	-	2,714,028	5,711,557	5,208,028	15,931,107	14,542,584
Amortization	-	364,519	2,349,141	-	-	-	-	-	2,713,660	3,448,421
Administration	-	-	111,430	14	-	99,240	380,783	1,382,127	1,973,594	2,049,629
Facilities	-	-	898,131	-	-	16,214	119,640	145,241	1,179,226	1,049,197
Technical support	-	-	371,934	140	-	808	75,044	333,863	781,789	954,029
	-	364,519	5,513,761	514,523	-	2,830,290	6,287,024	7,069,259	22,579,376	22,043,860
Excess of revenue over expenses (expenses over revenue)	-	(364,519)	(3,420,575)	(167,343)	2,040	(2,796,823)	(2,017,634)	(1,648,851)	(10,413,705)	(13,749,330)
Fund balances, beginning of the year	55,923,485	4,225,441	78,798,586	5,790,693	409,285	3,845,440	28,513,412	23,139,517	200,645,859	214,395,189
Interfund transfers (note 12)	3,355,791	86,134	(2,413,539)	245,518	370	(1,048,617)	(1,340,805)	1,115,148	-	-
Fund balances, end of the year	\$ 59,279,276	\$ 3,947,056	\$ 72,964,472	\$ 5,868,868	\$ 411,695	\$ -	\$ 25,154,973	\$ 22,605,814	\$ 190,232,154	\$ 200,645,859

(See notes to financial statements)

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JULY 31, 2017**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of expenses over revenue for the year	\$ (10,413,705)	\$ (13,749,330)
Items not requiring an outlay (providing an inflow) of cash:		
Unrealized investment loss (gain)	2,016,791	1,379,562
Amortization	2,713,658	3,448,421
Amortization of lease inducement	(82,495)	(216,815)
Gain on redemption and sale of portfolio investments	(5,573,303)	(1,277,971)
Net changes in non-cash working capital items related to operations:		
Accounts receivable	821,146	(1,323,555)
Accounts payable and accrued liabilities	(532,716)	583,533
Deferred revenue	(90,023)	(17,019)
Prepaid expenses	(654,777)	(106,289)
	<b>(11,795,424)</b>	<b>(11,279,463)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in bank indebtedness	(132,070)	132,070
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(279,581)	(496,099)
Purchase of portfolio investments	(16,508,806)	(19,877,768)
Proceeds on redemption and sale of portfolio investments	26,940,454	28,513,073
	<b>10,152,067</b>	<b>8,139,206</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR</b>	<b>(1,775,427)</b>	<b>(3,008,187)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR</b>	<b>7,666,613</b>	<b>10,674,800</b>
<b>CASH AND CASH EQUIVALENTS, END OF THE YEAR</b>	<b>\$ 5,891,186</b>	<b>\$ 7,666,613</b>
<b>CASH AND CASH EQUIVALENTS, END OF THE YEAR ARE COMPRISED AS FOLLOWS:</b>		
Cash held in bank account	\$ 303,430	\$ 161,337
Cash held in investment broker accounts	5,587,756	7,505,276
	<b>\$ 5,891,186</b>	<b>\$ 7,666,613</b>

(See notes to financial statements)

## NOTES TO THE FINANCIAL STATEMENTS JULY 31, 2017

### 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

#### (a) General -

The Organization's accounting policies are in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and are applied consistently.

#### (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. 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. 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2017**

Based at the CIGI campus, the ILRP is a \$60 million, ten-year, integrated and multi-disciplinary research and teaching program that will 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 is funded equally by CIGI and the Province of Ontario. The following are 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.

(c) **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.

(d) **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.

Contributions for endowment are recognized as revenue of the Long Term Endowment Fund in the year 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.

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.

(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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2017**

(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
Computer software	- straight-line over three 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

Amortization of assets acquired during the year is recorded on a pro-rata basis from the date of acquisition.

Art capitalized by the Organization is not amortized.

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) **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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
JULY 31, 2017**

(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 reporting 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. 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.

**3. PORTFOLIO INVESTMENTS**

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

	<u>2016</u>	<u>2015</u>
Equities and equity mutual fund units	\$ 94,238,558	\$ 63,339,959
Fixed income fund units	23,659,555	62,164,501
Alternative investments	3,935,317	4,201,488
Term deposits	1,031,805	1,245,320
Unrealized gain on foreign currency forward contracts (a)	1,101,509	52,642
	<b>123,966,744</b>	131,003,910
Unrealized loss on foreign currency forward contracts (a)	(2,546)	(164,579)
	<b>\$ 123,964,198</b>	\$ 130,839,331

(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:

	<u>2017</u>		<u>2016</u>	
	<u>Contract Amount Canadian \$</u>	<u>Weighted Average Rate</u>	<u>Contract Amount Canadian \$</u>	<u>Weighted Average Rate</u>
US dollar	\$ 11,594,777	1.3697	\$ 10,903,590	1.2859
Euro	1,244,793	1.5062	945,124	1.4811
British pound	649,780	1.7713	583,791	1.8461
Japanese yen	180,473	0.0121	183,034	0.0121
Total	<u>\$ 13,669,823</u>		<u>\$ 12,615,539</u>	

**NOTES TO THE FINANCIAL STATEMENTS  
JULY 31, 2017**

The exchange rates at July 31 were:

	<u>2017</u>	<u>2016</u>
US dollar	1.2485	1.3056
Euro	1.4719	1.4566
British pound	1.6438	1.7305
Japanese yen	0.0113	0.0127

**4. SIGNIFICANTLY INFLUENCED NOT- FOR- PROFIT ORGANIZATION**

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 contributed \$317,286 (2016 - \$369,919) to the BSIA of which \$118,852 (2016 - \$108,874) is recognized as a prepaid expense and \$198,434 (2016 - \$261,045) is included in research and conferences expense.

**5. PROPERTY AND EQUIPMENT**

Property and equipment are comprised as follows:

	<u>2017</u>			<u>2016</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
Buildings and improvements	\$ 77,965,074	\$ 19,172,355	<b>\$ 58,792,719</b>	\$ 61,186,072
Land	294,345	-	<b>294,345</b>	294,345
Computer software	240,965	188,045	<b>52,920</b>	59,314
Furniture and fixtures	667,439	644,228	<b>23,211</b>	65,622
Computer equipment	908,277	895,864	<b>12,413</b>	3,366
Art	5,000	-	<b>5,000</b>	5,000
Office equipment	341,626	341,626	-	966
Vehicles	32,754	32,754	-	-
	<b>\$ 80,455,480</b>	<b>\$ 21,274,872</b>	<b>\$ 59,180,608</b>	<b>\$ 61,614,685</b>

Included in buildings and improvements are assets with a net book value of \$55,233,552 (2016- \$57,389,244) and included in furniture and fixture are assets with a net book value of \$nil (2016 - \$nil) relating to the Campus.

**NOTES TO THE FINANCIAL STATEMENTS  
JULY 31, 2017**

**6. BANK INDEBTEDNESS**

The Organization has an unsecured \$500,000 overdraft credit facility against which \$nil (2016 - \$132,070) has been drawn as at July 31, 2017. Under the overdraft credit facility agreement, outstanding amounts bear interest at the bank's prime lending rate plus 0.75% per annum.

**7. 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 Federal 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, 2016 and 2017 the capital balance of this fund is calculated to be \$50,650,903.

**8. 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 to be expensed in the year ending July 31, 2018 in the amount of \$185,000.

**(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) Programs 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 original agreement to July 31, 2017 the Organization has incurred cumulative expenses in the amount of \$11,717,429 (for the period from signing of the agreement to July 31, 2016 - \$9,754,686). A total of \$1,962,743 of expenses were incurred in the current year (2016 - \$1,492,308).

**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2017**

In 2013, the Organization signed an agreement with a provincial government and a private donor to develop and launch the ILRP. The Organization is committed to expenditures of \$60,000,000 over the term of the agreement which is to expire July 31, 2024. The funding is 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 and has contributed \$nil during the year (2016 - \$nil). The provincial government has funded \$2,204,067 of its total commitment of \$30,000,000 during the year (2016 - \$2,303,261). For the period from the signing of the agreement to July 31, 2017, the Organization has incurred cumulative costs of \$9,154,522 (for the period from signing of the agreement to July 31, 2016 - \$8,466,089), which includes \$18,051 (2016 - \$18,051) of capital costs for furniture, the costs of which are included in the Capital Asset Fund. A total of \$688,433 of expenses were incurred in the current year (2016 - \$5,218,365), which includes \$nil (2016 - \$165,174) of capital costs for furniture, the costs of which are included in the Capital Asset Fund.

(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.

**9. OTHER SUPPLEMENTAL INFORMATION**

(a) **Rental income -**

During the year, the Organization recognized \$1,263,239 (2016 - \$1,213,452) of rental income included in other revenue.

(b) **Realized investment income -**

Realized investment income is comprised as follows:

	<u>2017</u>	<u>2016</u>
Gain on sale of portfolio investments	\$ 6,268,500	\$ 2,141,598
Interest	3,217,915	1,861,899
Dividends	1,012,989	1,701,054
Foreign currency translation loss	(695,197)	(863,627)
Management fees	<u>(466,567)</u>	<u>(200,636)</u>
	<u>\$ 9,337,640</u>	<u>\$ 4,640,288</u>

**10. 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, 2017 was \$273,500 (2016 - \$236,236).

**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2017**

**11. FINANCIAL INSTRUMENTS**

(a) **Financial assets -**

The carrying amount of financial assets measured at fair value is \$129,857,928 (2016 - \$138,670,523).

The carrying amount of financial assets measured at amortized cost is \$1,230,454 (2016 - \$2,051,600).

(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 79% (2016 - 49%) of the Organization's portfolio investments are in equities and alternative investments and subject to price risk.

Approximately 19% (2016 - 45%) of portfolio investments are invested in fixed income securities.

(ii) **Foreign exchange risk -**

The Organization is also subject to foreign exchange risk as \$13,711,448 (2016 - \$14,853,754) of portfolio investments and \$123,852 (2016 - \$402,295) 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. These currencies include the Euro, British pound and Japanese yen (see note 3(a)).

(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, 2017, 79% (2016 - 62%) of the accounts receivable balance is from one organization (2016 - three organizations).

(iv) **Interest rate risk -**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Organization is subject to interest rate risk to the extent of any amounts advanced from its bank indebtedness.

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.

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12. 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:

	<u>Transfers to (from)</u>							
	<u>Long Term Endowment Fund</u>	<u>Capital Asset Fund</u>	<u>Campus Fund</u>	<u>Africa Fund</u>	<u>J Holmes Fund</u>	<u>Decade Fund</u>	<u>ILRP Fund</u>	<u>Operating Fund</u>
To Long Term Endowment Fund from Operating Fund (a)	\$ 3,355,791	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,355,791)
To Capital Fund from Operating Fund (b)	-	86,134	-	-	-	-	-	(86,134)
To Operating Fund from Campus Fund (c)	-	-	(2,413,539)	-	-	-	-	2,413,539
To Africa Fund from Operating Fund (d)	-	-	-	245,518	-	-	-	(245,518)
To John Holmes Fund from Operating Fund (e)	-	-	-	-	370	-	-	(370)
To Operating Fund from Decade Fund (f)	-	-	-	-	-	(1,048,617)	-	1,048,617
To Operating Fund from ILRP Fund (g)	-	-	-	-	-	-	(1,340,805)	1,340,805
	<u>\$ 3,355,791</u>	<u>\$ 86,134</u>	<u>\$ (2,413,539)</u>	<u>\$ 245,518</u>	<u>\$ 370</u>	<u>\$ (1,048,617)</u>	<u>(1,340,805)</u>	<u>\$ 1,115,148</u>

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- (a) The transfer to the Long Term Endowment Fund from the Operating Fund was made to cover shortfalls in the Long Term Endowment Fund.
- (b) The transfer to the Capital Asset Fund from the Operating Fund was made to fund outlays for property and equipment acquisitions.
- (c) The transfer to the Operating Fund from the Campus Fund was made to reimburse Campus Fund outlays previously covered by the Operating Fund.
- (d) The transfer to the Africa Fund from the Operating Fund was made to cover shortfalls in the Africa Fund.
- (e) The transfer to the John Holmes Fund from the Operating Fund was to fund additional contributions.
- (f) The transfer to the Operating Fund from the Decade Fund was made to close out the Decade Fund upon the wind up of the program.
- (g) The transfer to the Operating Fund from the ILRP Fund was to reimburse ILRP Fund outlays previously covered by the Operating Fund.