



Canadian
Race Relations
Foundation

Fondation
canadienne des
relations raciales

**Unaudited Interim Quarterly Financial Report
Second quarter of fiscal year 2014-2015, ended
September 30, 2014**

CANADIAN RACE RELATIONS FOUNDATION

Unaudited Interim Quarterly Financial Report Second quarter of fiscal year 2014-2015, ended September 30, 2014

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Financial Management Discussion and Analysis

Second quarter of fiscal year 2014-2015, ended September 30, 2014

Refer to Management's Discussion and Analysis as presented in the March 31, 2014 Annual Report at crr.ca. Updates for the quarter ended September 30, 2014 are as follows.

Statement of Financial Position Discussion

	2014 September 30 (Actual \$)	2014 March 31 (Actual \$)	Changes	
			\$	%
Assets				
Cash and cash equivalents	2,917,645	3,105,026	(187,381)	(6)
Investments	23,998,223	23,092,427	905,796	3.9
Prepaid expenses, receivables	151,246	2,187,560	(2,036,314)	(93)
Capital assets	41,878	46,968	(5,090)	(11)
Total Assets	27,108,992	28,431,981	(1,322,989)	(4.7)
Liabilities and Equity				
Accounts payable and accrued liabilities	35,521	1,962,589	(1,927,068)	(98)
Accrued salaries and employees future benefits payable	23,241	19,828	3,413	17
Deferred contributions and deferred revenues	38,815	39,415	(600)	(2)
Obligation under capital lease	1,222	2,419	(1,197)	(49)
Net assets	27,010,193	26,407,730	602,463	2.3
Total Liabilities and Net Assets	27,108,992	28,431,981	(1,322,989)	(4.7)

Cash is composed of cash at banks, cash equivalents in saving accounts in the investment portfolio, and cash balances held by the Foundation's investment managers. As at September 30, 2014 total cash in operating bank accounts amounted to \$88,666, cash equivalents in saving accounts amounted to \$2,287,924, and cash balances held by the Foundation's investment managers amounted to \$541,055.

Investments have increased 3.9% for the six-month ended September 30, 2014 compared to the investment value at March 31, 2014. For the six-month period ended September 30, 2014 the combined portfolio returned +3.7% or \$895,433 after all fees and taxes. The return rate excluding the remeasurement (unrealized) gains is 1.90% or \$ 458,297.

Statement of Financial Position Discussion (continued)

Prepaid expenses, receivables decreased \$2,036,314 compared to March 31, 2014. This is mainly for reversal of receivables (adjustment for cutoff date in 2013-14) from the Foundation's investment managers for proceeds from sale of investments at March 31, 2014.

The **Capital assets** decreased \$5,090 for the six-month ended September 30, 2014 compared to March 31, 2014 as the result of addition of \$2,922 to asset and amortization of all assets of \$8,012.

Liabilities

Accounts payable and accrued liabilities decreased \$1,927,068 for the six-month ended September 30, 2014 compared to March 31, 2014. This is mainly for reversal of payables (adjustment for cutoff date in 2013-14) to the Foundation's investment managers for purchase of investments at March 31, 2014.

Accrued salaries and employees future benefits payable decreased \$3,413 for the six-month ended September 30, 2014 compared to March 31, 2014.

Deferred contributions and deferred revenues decreased \$600 for the six-month ended September 30, 2014 compared to March 31, 2014. This is due to decrease in rent inducement for the six-month ended September 30, 2014.

Obligation under capital lease is the balance of capital repayment owed for the office equipment under lease of \$1,222 as at September 30, 2014.

Net Assets increased 2.3% in the six-month ended September 30, 2014 compared to March 31, 2014 due to remeasurement (unrealized) gains on investments portfolio of \$437,136 and the excess of revenues over expenses of \$165,326 for the six-month ended September 30, 2014.

Statement of Operations Discussion

Revenues	2014	2013	Changes	
	September 30	September 30	\$	%
	\$	\$		
Funded projects	95,895	120,402	(24,507)	(20)
Publications, in-kind & Miscellaneous revenues	6,000	163	5,837	3,580
Sponsorships, donations and contributions, honoraria and fundraising gala	2,000	1,320	680	52
Total Revenues	103,895	121,885	(17,990)	(15)
Net investment gain (loss)	2014	2013	Changes	
	September 30	September 30	\$	%
	\$	\$		
Investment income earned	281,832	318,980	(37,148)	(11.6)
Changes in fair value – realized	176,645	(50,225)	226,690	(451)
Net investment gain	458,297	268,754	189,542	84

Statement of Operations Discussion (continued)

Revenues from **Funded projects** for the six-month ended September 30, 2014 is mainly from the Department of Citizenship and Immigration Canada for the “Our Canada” project.

Publications, in-kind and miscellaneous revenues are sale proceeds of the CRRF publications and conferences registration fees. This period revenues include \$6,000 compensation received by the Foundation for damages to its artwork.

Revenues from **Sponsorships, donations and contributions, honoraria and fundraising gala** relate to honoraria received from public speaking engagements, donations and revenues from sponsorships and fundraising gala. This period revenues includes \$2,000 donation.

Net investment income earned: The Foundation’s primary source of income is derived from the investment income earned on the investment of the original contribution of \$24 million. Investment income earned includes interest, dividends, and distributions, after portfolio management fees. Investment income earned for six-month ended September 30, 2014 is \$281,832 and decreased \$37,148 compared to September 30, 2013.

Changes in fair value realized of investments for six-month ended September 30, 2014 include realized gain on sales of investments of \$176,465 compared with realized loss of \$50,225 in the six-month ended September 30, 2013.

Unrealized gains (losses) on investments measured at fair value are recognized in the Statement of Remeasurement Gains and Losses. Unrealized changes in fair value of the investments in the six-month ended September 30, 2014 were \$437,136 gain compared to loss of \$188,662 in September 30, 2013.

Expenses	2014	2013	Changes	
	September 30	September 30	\$	%
	\$	\$	\$	%
Salaries and benefits	217,545	166,227	51,318	31
Funded projects	96,643	108,407	(11,764)	(11)
Rent	44,324	31,988	12,336	39
Communication	22,064	17,501	4,563	26
Board of Directors honoraria and travel	11,677	22,981	(11,305)	(49)
Award of Excellence symposium and fundraising gala	3,620	-	3,620	n/a
Professional fees	1,215	331	883	267
Office and general, conference, symposium and others	(221)	29,105	(29,326)	(101)
Total Expenses	396,866	376,540	20,325	5

Statement of Operations Discussion (continued)

The Foundation's total expenses is \$396,866 for the six-month ended September 30, 2014 with the three main users of funds being salaries and benefits, funded projects and rent, totaling \$217,545, \$96,643 and \$44,324 respectively.

There was \$51,318 increase in **salaries and benefits** and \$11,764 decrease in **funded project** and \$12,366 increase in **rent** expenses compared to September 30, 2013. The increase in the salaries and benefits is mainly due to hiring of vacant positions. The increase in rent is due to addition of property tax to the monthly rent by the landlord starting in 2014.

The **communications** expenses increased \$4,563 for the six-month ended September 30, 2014 compared to September 30, 2013 mainly due to website enhancement and increase in media works and news release.

Honoraria and expenses for the Board of Directors decreased \$11,305 for the six-month ended September 30, 2014. There was one Director's teleconference meeting in this period.

The **Award of Excellence symposium and gala** is an event held every other year. In November 2014 the Foundation will hold its ninth Awards of Excellence & symposium in Ottawa, Ontario to recognize achievement and Best Practices in equity and anti-racism. Total cost of the event will be around \$95,000 and total revenue for the event from sponsorships, contributions and ticket sale is anticipated to be \$30,000.

Professional fees are for legal, accounting and corporate services fees and had no significant changes compared to September 30, 2013.

Office and general, conference, symposium and others expenses decreased \$29,326 in the six-month ended September 30, 2014 compared to September 30, 2013 mainly due to a \$2,500 credit adjustment to the prior year conference expenses and administration fee received for the funded projects.

Outlook: Fiscal Year 2014-2015

The Canadian Race Relations Foundation continues to fund its core programs and operations through the investment income from its endowment fund. In July 2014 the Foundation signed an agreement with Citizenship and Immigration Canada to fund "Our Canada", a three-year initiative to heighten awareness, understanding and respect for Canadian values and traditions that will culminate in the historic opportunity to celebrate them as part of Canada's Sesquicentennial in 2017.

In November 2014 the Foundation will hold its ninth Awards of Excellence & symposium in Ottawa, Ontario to recognize achievement and Best Practices in equity and anti-racism.

The Foundation has an approved operating revenues budget of \$1,535,000 and expenditures budget of \$1,613,500 for 2014-15. The approved budget for the year is closely monitored by senior management and the Board of Directors. Budget variance reports are reviewed and monitored on a regular basis. Adjustments are made as required, and expenditures are

Outlook: Fiscal Year 2014-2015 (continued)

consistent with the approved budget and are according to Board resolutions and guidelines of the Treasury Board. Quarterly financial statements and related notes are also prepared in accordance with the Treasury Board standards and are posted on the Foundation website.

In October 2014 the Foundation completed hiring of four new contract positions for the Our Canada project and one new permanent position for its programs and activities in accordance with its recently adopted 2014 to 2017 Strategic Plan, which continues the forward momentum of the Foundation, building on the successes of the past, and challenging the Foundation to move forward with technological and programmatic advances. While the Strategic Plan advances the Foundation in alignment with contemporary issues of race relations, it represents a legacy of commitment to the Canadian Race Relations Foundation's central purpose as set out in the Canadian Race Relations Foundation Act 1991.

CANADIAN RACE RELATIONS FOUNDATION

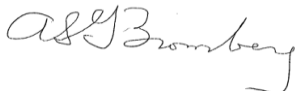
Unaudited Interim Quarterly Financial Report

For the six months ended September 30, 2014

Statement of Management Responsibility

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

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



Anita Bromberg
Executive Director

September 30, 2014



Arsalan Tavassoli MA, CPA, CGA
Finance and Administration Director

September 30, 2014

CANADIAN RACE RELATIONS FOUNDATION
UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS
Statement of Financial Position
As at September 30, 2014

	2014	2014
	September 30	March 31
	\$	\$
Assets		
Current Assets		
Cash and cash equivalents (note 3)	2,917,645	3,105,026
Prepaid expenses	10,802	14,387
Receivables	140,444	2,173,173
Investments (note 4)	-	665,720
	<u>3,068,891</u>	<u>5,958,306</u>
Investments (note 4)	23,998,223	22,426,707
Capital assets (note 6)	<u>41,878</u>	<u>46,968</u>
	<u>27,108,992</u>	<u>28,431,981</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	35,521	1,962,589
Accrued salaries	23,241	19,828
Deferred contributions and deferred revenues (note 8)	38,815	39,415
	<u>97,575</u>	<u>2,021,832</u>
Obligation under capital lease (note 7)	<u>1,222</u>	<u>2,419</u>
	<u>98,799</u>	<u>2,024,251</u>
Net assets:		
Unrestricted	464,624	295,404
Invested in capital assets (note 12)	40,655	44,549
Accumulated remeasurement gains	2,504,913	2,067,777
Restricted for endowment purposes (note 9)	<u>24,000,000</u>	<u>24,000,000</u>
	<u>27,010,193</u>	<u>26,407,730</u>
	<u>27,108,992</u>	<u>28,431,981</u>

Contractual obligations (note 10)

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

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

	Three months ended		Six months Ended	
	2014 September 30	2013 September 30	2014 September 30	2013 September 30
Revenues	\$	\$	\$	\$
Funded projects	87,895	39,241	95,895	120,402
Publications, in-kind & Misc. revenue	3,930	-	6,000	163
Sponsorships, donations and contributions, honoraria and fundraising gala	2,000	120	2,000	1,320
	93,825	39,361	103,895	121,885
Expenses				
Programs expenses	114,937	91,336	209,620	159,463
Funded projects	88,023	38,791	96,643	108,407
Administration expense	40,891	31,930	74,312	56,253
Board of Directors meetings	7,471	19,825	11,677	22,981
Award of Excellence symposium and fundraising gala	3,620	-	3,620	-
Information systems and development	1,247	156	2,001	858
Staff recruitment and development	801	-	871	-
Conferences, symposia and consultations	655	744	(1,674)	3,969
Finance cost	249	(187)	296	82
Operating expenses	(9,960)	13,623	(500)	24,528
	247,935	196,217	396,866	376,540
Deficiency of revenues over expenses before net investment gain (loss)	(154,110)	(156,856)	(292,970)	(254,655)
Net investment income gain (note 11)	292,326	124,285	458,296	268,754
Excess (deficiency) of revenues over expenses	138,216	(32,571)	165,326	14,099

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

CANADIAN RACE RELATIONS FOUNDATION
UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS
Statement of Remeasurement Gains and Losses

	Three months Ended		Six months ended	
	2014	2013	2014	2013
	September 30	September 30	September 30	September 30
Accumulated remeasurement gains , beginning of period	\$ 2,506,125	\$ 737,015	\$ 2,067,777	\$ 1,278,276
Unrealized gains (losses) attributable to:				
Portfolio investment in equity instruments quoted in an active market	118,146	861,319	721,980	263,813
Financial instruments designated to the fair value category	(3,680)	(455,614)	(108,379)	(360,171)
Amounts reclassified to the statement of operations:				
Portfolio investment in equity instruments quoted in an active market	(119,925)	-	(257,225)	(100,484)
Financial instruments designated to the fair value category	4,247	(53,106)	80,760	8,180
Accumulated Remeasurement gains (losses) for the period	(1,212)	352,599	437,136	(188,662)
Accumulated Remeasurement gains , end of period	2,504,913	1,089,614	2,504,913	1,089,614

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

CANADIAN RACE RELATIONS FOUNDATION						
Unaudited Quarterly Financial Statements						
Statement of Changes in Net Assets						
Three-month ended September 30, 2014	Unrestricted	Invested in capital assets	Accumulated remeasurement gains (losses)	Endowment	Three-month ended September 30, 2014	Three-month ended September 30, 2013
	\$	\$	\$	\$	\$	\$
Net assets, beginning of period	325,866	41,197	2,506,125	24,000,000	26,873,188	24,593,309
Excess (deficiency) of revenues over expenses	138,216	-	-	-	138,216	(32,571)
Remeasurement gains (losses)	-	-	(1,212)	-	(1,212)	352,599
Net changes in invested in capital assets (note 12)	542	(542)	-	-	-	-
Net assets, end of period	464,624	40,655	2,504,913	24,000,000	27,010,193	24,913,337
Six-month ended September 30, 2014	Unrestricted	Invested in capital assets	Accumulated remeasurement gains (losses)	Endowment	Six-month ended September 30, 2014	Six-month ended September 30, 2013
	\$	\$	\$	\$	\$	\$
Net assets, beginning of period	295,405	44,549	2,067,777	24,000,000	26,407,730	25,087,899
Excess of revenues over expenses	165,326	-	-	-	165,326	14,099
Remeasurement gains (losses)	-	-	437,136	-	437,136	(188,661)
Net changes in invested in capital assets (note 12)	3,894	(3,894)	-	-	-	-
Net assets, end of period	464,624	40,655	2,504,913	24,000,000	27,010,193	24,913,337
March 31 2014	Unrestricted	Invested in capital assets	Accumulated remeasurement gains (losses)	Endowment	2014	
	\$	\$	\$	\$	\$	
Net assets, beginning of year	(350,984)	72,155	1,366,728	24,000,000	25,087,899	
Excess of revenues over expense	618,782	-	-	-	618,782	
Remeasurement gains (losses)	-	-	701,049	-	701,049	
Net changes in invested in capital assets (note 12)	27,606	(27,606)	-	-	-	
Net assets, end of year	295,405	44,549	2,067,777	24,000,000	26,407,730	

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

CANADIAN RACE RELATIONS FOUNDATION
UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS
Statement of Cash Flows

	Three months ended		Six months ended	
	2014 September 30	2013 September 30	2014 September 30	2013 September 30
	\$	\$	\$	\$
Operating activities:				
Excess (deficiency) of revenue over expenses	138,217	(32,571)	165,326	14,099
Items not affecting cash:				
Amortization	4,065	5,013	8,012	10,026
Realized (gains) losses on sale of investments (note 13)	(109,005)	(64,163)	(129,693)	50,225
	33,277	(91,721)	43,646	74,350
Changes in non-cash operating assets and liabilities:				
Decrease (Increase) in prepaid expenses	(2,125)	1,743	(522)	2,216
Decrease (Increase) in receivables	(39,951)	(1,125)	2,032,729	246,476
Increase (decrease) in accounts payable and accrued liabilities, accrued salaries	3,297	(7,566)	(1,923,656)	(43,328)
Increase (decrease) in deferred contributions and deferred revenues	(300)	(7,983)	(600)	(20,112)
Net cash provided by (used in) operating activities	(5,802)	(98,621)	151,597	259,602
Capital activities:				
Addition to capital assets	(2,921)	-	(2,921)	(5,287)
Net cash used in capital activities	(2,921)	-	(2,921)	(5,287)
Investing activities:				
Proceeds from sale of investments	1,655,610	1,899,450	7,990,776	5,945,316
Purchase of investments	(2,427,802)	(2,515,251)	(8,325,636)	(6,738,912)
Net cash provided by (used in) investing activities	(772,192)	(615,801)	(334,861)	(793,596)
Financing activities:				
Repayment of capital lease obligations	(602)	(577)	(1,197)	(1,148)
Net cash used in capital activities	(602)	(577)	(1,197)	(1,148)
Decrease in cash and cash equivalents	(781,516)	(723,029)	(187,381)	(540,428)
Cash and cash equivalents, beginning of period	3,699,161	3,274,033	3,105,026	3,091,432
Cash and cash equivalents, end of period	2,917,645	2,551,004	2,917,645	2,551,004

Note 1: \$198,094 interest received is included in the net cash flow from operating activities (September 30, 2013 - \$172,955)

Note 2: There is no on disposable of capital assets.

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

RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

Second quarter of fiscal year 2014-2015, ended September 30, 2014

1. Description of organization:

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

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

The Foundation’s Education and Training Centre develops and delivers diversity, equity and human rights education and training as it relates to harmonious race relations.

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

2. Significant accounting policies:

The Foundation has prepared the financial statements applying the Section 4200 series of Canadian public sector accounting standards applicable to government not-for-profit organizations.

The Foundation applies the deferral method of accounting for contributions for not-for-profit organizations. The same accounting policies and methods of computation are followed in the quarterly financial statements as compared to the March 31, 2014 Annual Audited Financial Statements.

3. Cash and Cash Equivalents

Restricted and unrestricted cash and cash equivalents include cash balances with banks, investment saving accounts in the investment portfolio, and cash balances held by investment managers in the Foundation’s investment accounts.

Restricted cash and restricted cash equivalents are tied to the endowment fund as described in note 9 and are held for investment purposes only.

Cash and cash equivalents consisted of the following	September 30 2014	March 31 2014
Cash - unrestricted	\$ 119,660	\$ 125,152
Cash - restricted	510,061	650,909
Cash equivalents - unrestricted	1,706,412	97,453
Cash equivalents - restricted	581,512	2,231,512
Total cash and cash equivalents	2,917,645	3,105,026

The carrying amount of these assets approximates their fair value.

CANADIAN RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

Second quarter of fiscal year 2014-2015, ended September 30, 2014

4. Investments:

September 30, 2014	Current Amount	Non Current Amount	Total Investments
Fixed income investments - Canadian	\$ -	\$ 10,624,427	\$ 10,624,427
Equity securities- Canadian	-	5,091,577	5,091,577
Equity securities- Foreign	-	8,282,219	8,282,219
	\$ -	\$ 23,998,223	\$ 23,998,223

March 31, 2014	Current Amount	Non Current Amount	Fair Value
Fixed income investments - Canadian	\$ 665,720	\$ 9,721,244	\$ 10,386,964
Equity securities- Canadian	-	5,121,920	5,121,920
Equity securities- Foreign	-	7,583,543	7,583,543
	\$ 665,720	\$ 22,426,707	\$ 23,092,427

5. Financial risk management:

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

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

CANADIAN RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

Second quarter of fiscal year 2014-2015, ended September 30, 2014

5. Financial risk management (continued):

(a) Asset Mix:

As of September 30, 2014, the Foundation's investment portfolio investment asset mix was as follows:

- 50.90% in Cash and cash equivalents and Fixed Income (March 31 2014 – 51.33%)
- 19.20% in Canadian Equities (March 31, 2014 – 19.63%)
- 29.90% in Global Equities (March 31 2014 – 29.04%)

Within each asset class, the Foundation also holds investments with different risk-return characteristics. For example, equities are diversified across industry sectors and by company size (market capitalization) while bonds are diversified by credit ratings, term to maturity, as well as across the government and corporate bond sectors. In addition, the Foundation employs investment managers with different investment styles such as value, growth and growth at a reasonable price (GARP). Diversification also occurs at the individual security selection level whereby securities are selected based on either top-down analysis or bottom-up analysis. The Foundation is also diversified across geographic regions by investing in Canadian, US and international securities.

(b) Credit risk:

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

(i) Fixed income securities:

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

The credit rating information for September 30, 2014 was not available at the time of this report.

As at March 31, 2014 the Foundation was invested in fixed income securities with the following credit ratings:

	Percentage of Value	
Debt instrument by credit rating	March 31 2014	March 31 2013
AAA (+ R1 rated short-term)	31.40%	31.0%
AA	18.10%	21.5%
A	39.33%	36.9%
BBB	11.17%	10.6%

CANADIAN RACE RELATIONS FOUNDATION

SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

Second quarter of fiscal year 2014-2015, ended September 30, 2014

5. Financial risk management (continued):

Credit ratings are obtained from a number of reputable rating agencies (e.g. Standard & Poor's, Moody's, Fitch or Dominion Bond Rating Services). Where more than one rating is obtained for a security, the lowest rating has been used.

(ii) Accounts receivable:

The Foundation's exposure to credit risk associated with accounts receivable is assessed as being low mainly due to the type of the Foundation's debtors which are mainly from Government of Canada and related parties. All accounts receivables are less than 3 months.

The maximum exposure to credit risk for accounts receivable by type of customer as at September 30, 2014 is as follows:

	September 30 2014	March 31 2014
Government of Canada	\$ 109,281	\$ 231,939
Other organizations	31,163	1,941,234
	\$ 140,444	\$ 2,173,173

(c) Interest rate risk:

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

CANADIAN RACE RELATIONS FOUNDATION
 SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS
Second quarter of fiscal year 2014-2015, ended September 30, 2014

5. Financial risk management (continued):

The Foundation's fixed income fair value investments comprise:

	September 30 2014	March 31 2014
Fixed income investments – Canadian	\$ 10,624,427	\$ 10,386,964
	\$ 10,624,427	\$ 10,386,964

(d) Currency risk:

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

The Foundation is exposed to currency risk on its investment portfolio from the following currency:

September 30 2014	USD (\$)	March 31 2014	USD (\$)
Market Value	\$7,458,428	Market Value	\$7,583,543
% of Portfolio	31.07%	% of Portfolio	32.84%

These amounts are based on the fair value of the Foundation's investments. Other financial assets and financial liabilities that are denominated in foreign currencies do not expose the Foundation to significant currency risk.

As at September 30, 2014, if the Canadian dollar strengthened or weakened by 1% in relation to other currencies, with all other variables held constant, operating results and net assets would have an increase or decrease, respectively, by approximately:

	September 30 2014 Increase in value	September 30 2014 Decrease in value	March 31 2014 Increase in value	March 31 2014 Decrease in value
US dollars	74,584	(74,584)	75,834	(75,834)

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

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SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

Second quarter of fiscal year 2014-2015, ended September 30, 2014

5. Financial risk management (continued):

(e) Other price risk:

Other price risk is the risk that the fair value or future cash flows of financial assets and financial liabilities will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). All investments represent a risk of loss of capital. The investment managers of the portfolio contracted by the Foundation moderate this risk through a careful selection and diversification of securities and other financial assets and financial liabilities within the limits of specified statements of investment policy and guidelines (SIPGs) which are negotiated and agreed upon with each investment manager. The maximum risk resulting from financial assets and financial liabilities is determined by the market value of the financial assets and financial liabilities. The Foundation's overall market positions are monitored on a daily basis by the portfolio managers. Financial assets held by the Foundation are susceptible to market price risk arising from uncertainties about future prices of the instruments.

The portfolio's actual return is compared to the benchmark return as a measure of relative performance. The benchmark return is based on the index returns for each asset class and the long-term target allocation of each asset class in the portfolio. The portfolio's long-term target asset allocation is specified in the Foundation's Investment Policy Statement. The revised Investment Policy Statement which was approved in 2013-2014 fiscal year was in force during the current year. As a result, the Foundation's long-term target asset allocation and individual asset class indices in effect as at September 30, 2014 is as follows:

Target Asset Allocation	Asset Class Index
50% Fixed Income (including cash and cash equivalents)	DEX Universe Bond Index (DEX 91-day T-Bill Index for cash)
22% Canadian equities	S&P TSX Composite Index
28% Global equities	S&P 500 Index (C\$)
	MSCI EAFE Index (C\$)

(f) Liquidity risk:

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

At September 30, 2014 the Foundation has a total cash and cash equivalents balance of \$2,917,645 (March 31 2014 - \$3,105,026), which is in excess of the total liabilities recorded at September 30, 2014 of \$98,799 (March 31 2014 - \$2,024,251).

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Second quarter of fiscal year 2014-2015, ended September 30, 2014

5. Financial risk management (continued):

As at September 30, 2014, the Foundation's liabilities have contractual maturities as follows:

	Less than 3 months \$	3 to 12 months \$	Over 1 year \$	Total \$
Accounts payable and accrued liabilities	22,195	731	12,595	35,521
Salaries and benefits payable	7,714	15,527	-	23,241
Obligation under capital lease	608	614	n/a	1,222

As at March 31, 2014, the Foundation's liabilities have contractual maturities as follows:

	Less than 3 months \$	3 to 12 months \$	Over 1 year \$	Total \$
Accounts payable and accrued liabilities	1,949,145	2,547	10,897	1,962,589
Salaries and benefits payable	19,828	-	-	19,828
Obligation under capital lease	595	1,824	n/a	2,419

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Second quarter of fiscal year 2014-2015, ended September 30, 2014**6. Capital assets:**

Capital Assets at net book value as at September 30, 2014:

	Cost	Accumulated amortization	September 30 Net book value
Office furniture and equipment	\$ 117,514	115,408	2,106
Computer hardware	172,641	167,853	4,788
Leasehold improvements	42,988	12,896	30,091
Computer software	34,055	31,976	2,079
Database development	5,539	5,539	-
Equipment under capital lease	11,254	8,441	2,814
	\$ 383,991	\$ 342,113	\$ 41,878

Amortization of capital assets expense is \$8,012.

Capital Assets at net book value as at March 31, 2014:

	Cost	Accumulated amortization	March 31 Net book value
Office furniture and equipment	\$ 117,223	114,687	2,536
Computer hardware	170,010	166,006	4,004
Leasehold improvements	42,988	8,598	34,390
Computer software	34,055	31,393	2,662
Database development	5,539	5,539	-
Equipment under capital lease	11,254	7,878	3,376
	\$ 381,069	\$ 334,101	\$ 46,968

Amortization of capital assets expense is \$20,264 (2013 - \$12,340).

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Second quarter of fiscal year 2014-2015, ended September 30, 2014

7. Obligation under capital lease:

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

	September 30 2014	March 31 2014
Obligation under capital lease	\$ 1,222	\$ 2,419

8. Deferred contributions and deferred revenues:

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

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

Deferred contributions and deferred revenues recorded by the Foundation at September 30, 2014 are as follows:

	September 30 2014	March 31 2014
Deferred contributions from non-government Sources	\$ 39,115	\$ 39,415
Balance, end of the period	\$ 39,115	\$ 39,415

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

	September 30 2014	March 31 2014
Balance, beginning of the period	\$ 39,415	\$ 60,494
Add: restricted contributions received from non-government sources	-	33,883
Less: amounts recognized as revenue	(600)	(54,962)
Balance, end of the period	\$ 38,815	\$ 39,415

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SELECTED NOTES TO UNAUDITED INTERIM QUARTERLY FINANCIAL STATEMENTS

Second quarter of fiscal year 2014-2015, ended September 30, 2014

9. Endowment:

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

The *Canadian Race Relations Foundation Act* stipulates that this Endowment Fund is to be used only for investment and is not available to fund the Foundation's activities. Investment income earned from the Endowment Fund is available to fund the Foundation's activities.

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

10. Contractual obligations:

In addition to contractual obligations disclosed in note 13, the Foundation entered into a lease agreement for office premises commencing March 1, 2013 and expiring February 28, 2018. The Foundation is also committed to one office equipment lease.

The contractual obligations for the next five years are related to the operating leases and as at September 30, 2014 amounted to \$331,429 (March 31 2014 - \$380,218).

The following table summarizes the Foundation's contractual obligations as of September 30, 2014:

	2014/15	2015/16	2016/17	2017/18	Total
Office premises	\$47,314	\$95,792	\$97,065	\$90,036	\$330,207
Office equipment	\$1,222		-		\$1,222
	\$48,536	\$95,792	\$97,065	\$90,036	\$331,429

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Second quarter of fiscal year 2014-2015, ended September 30, 2014**11. Net investment income:**

	September 30 2014	September 30 2013
	\$	\$
Realized gains (losses) on sale of investments	129,693	(52,567)
Interest from cash and cash equivalents and fixed income investments, dividends	414,904	403,071
Less: transaction costs and investment counsel fees	(86,301)	(81,750)
Net investment income (loss)	458,296	268,754

Net investment income earned on resources held for endowment

	September 30 2014	September 30 2013
	\$	\$
Realized gains (losses) on sale of investments recognized in the Statement of Operations in the period	129,693	(52,567)
Changes in fair value of investments recognized as direct increase (decrease) in net assets in the period	437,136	(188,662)
Total net investment income earned (loss) on resources held for endowment in the period	566,829	(241,229)

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12. Invested in capital assets:

(a) The investment in capital assets consists of the following:

	September 30 2014	March 31 2014
	\$	\$
Capital assets	41,878	46,968
Less obligation under capital lease	(1,222)	(2,419)
	40,656	44,549

(b) The net change in investment in capital assets is calculated as follows:

	September 30 2014	March 31 2014
	\$	\$
Capital asset additions	2,921	6,563
Capital assets purchased with Foundation funds	2,921	6,563
Artworks written-off from capital assets	-	(16,225)
Amortization of capital assets	(8,012)	(20,264)
Repayment of capital lease obligation	1,197	2,320
Net change in investment in capital assets	(3,894)	(27,606)

13. Related party transactions:

The Foundation is related to all Government of Canada departments, agencies, Crown corporations and anybody related to persons fulfilling senior management functions. The Foundation enters into transactions with these entities in the normal course of business. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. During the period, the Foundation recorded revenue of \$87,895 (March 31, 2014 - \$ 333,600) with Our Canada project, funded by Citizenship and Immigration Canada.

The Foundation has \$2,073,501 contractual obligations with Citizenship and Immigration Canada for the Our Canada project as at September 30, 2014 (March 31 2014- nil).

The Foundation incurred expenses totaling \$11,677 (September 30, 2013 - \$22,981) with respect to travel and honorarium of members of the board of directors.

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Second quarter of fiscal year 2014-2015, ended September 30, 2014

As at September 30, 2014, the Foundation had the following balances on the Statement of Financial Position related to the Our Canada project, funded by Citizenship and Immigration Canada (CIC):

	September 30 2014	March 31 2014
Accounts receivable from CIC	\$ 87,895	\$ 140,341
Holdback receivable from CI	-	\$ 69,380

14. Schedule of Expenses by Object:

Expenses	September 30, 2014	September 30, 2013
	\$	\$
Salaries and benefits	217,545	166,227
Funded projects	96,643	108,407
Rent	44,324	31,988
Communication	22,064	17,501
Board of Directors honoraria and travel	11,677	22,981
Amortization	8,012	10,026
Award of Excellence symposium and fundraising gala	3,620	-
Information systems and development	2,001	858
Professional fees	1,215	331
Staff recruitment and development	871	-
Interest expenses	296	82
Conferences, symposia and consultations	(1,674)	3,969
Office and general	(9,727)	14,170
	396,865	376,540