

Financial statements of

**Asia Pacific Foundation
of Canada**

March 31, 2010

Asia Pacific Foundation of Canada

March 31, 2010

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Auditors' Report

To the Board of Directors of the
Asia Pacific Foundation of Canada

We have audited the balance sheet of the Asia Pacific Foundation of Canada (the "Foundation") as at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2010 and the results of its operations, the changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche UP

Chartered Accountants
June 2, 2010

Asia Pacific Foundation of Canada

Statement of operations year ended March 31, 2010

	2010	2009
	\$	\$
Revenues		
Endowment fund income, net of investment consulting fee of \$123,571 (2009 - \$117,048)	1,687,925	2,116,881
Direct government funding	153,129	176,796
Private sector funding	86,830	72,500
Sponsored programs	122,955	28,432
Interest on short-term investments	265	4,436
	2,051,104	2,399,045
Expenses		
Employment compensation	944,612	949,040
Consultants and professionals	260,352	223,819
Travel	201,038	144,849
Office lease/maintenance	161,812	166,418
Administration and information systems	124,450	115,911
Other operating expenses	59,368	70,454
Amortization	40,698	46,364
Secretariat fee	39,163	36,130
Publication/websites	34,661	45,467
Conference and events	28,594	19,406
	1,894,748	1,817,858
Excess of revenues over expenses before the undernoted	156,356	581,187
Unrealized gain (loss) on investments	9,974,625	(9,952,752)
Grants (Note 2 (c))	(216,138)	(323,091)
Excess (deficiency) of revenues over expenses	9,914,843	(9,694,656)

Asia Pacific Foundation of Canada

Statement of changes in net assets year ended March 31, 2010

	2010		2009	
	Restricted endowment funds (Note 1)	Unrestricted	Total	
	\$	\$	\$	
			(Restated - Note 2 (a))	
Balance, beginning of year	50,000,000	(5,447,695)	44,552,305	54,246,961
Excess (deficiency) of revenues over expenses	-	9,914,843	9,914,843	(9,694,656)
Balance, end of year	50,000,000	4,467,148	54,467,148	44,552,305

Asia Pacific Foundation of Canada

Balance sheet

as at March 31, 2010

	2010	2009
	\$	\$
		(Restated - Note 2 (a))
Assets		
Current assets		
Cash	308,833	484,390
Accounts receivable	254,668	106,362
Prepaid expenses	61,232	56,929
	624,733	647,681
Equipment and leasehold improvements (Note 3)	200,645	234,947
Investments (Notes 2 (f) and 4)	54,205,862	44,128,564
	55,031,240	45,011,192
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	279,510	303,260
Deferred program revenues	160,248	-
Current portion of capital lease obligation	1,209	8,740
	440,967	312,000
Capital lease obligation	-	1,382
Deferred lease inducements	123,125	145,505
	564,092	458,887
Net assets		
Restricted endowment funds	50,000,000	50,000,000
Unrestricted funds	4,467,148	(5,447,695)
	54,467,148	44,552,305
	55,031,240	45,011,192

Commitments and contingent liabilities (Notes 2 (f) and 5)

Approved by the Board of Directors

Director

Director

Asia Pacific Foundation of Canada

Statement of cash flows year ended March 31, 2010

	2010	2009
	\$	\$
Operating activities		
Excess (deficiency) of revenues over expenses	9,914,843	(9,694,656)
Items not involving cash		
Amortization	40,698	46,364
Amortization of deferred lease inducement	(22,380)	(22,380)
Unrealized (gain) loss on investments	(9,974,625)	9,952,752
	(41,464)	282,080
Changes in non-cash working capital		
Accounts receivable	(148,306)	54,058
Prepaid expenses	(4,303)	4,411
Accounts payable and accrued liabilities	(23,750)	(57,045)
Deferred program revenues	160,248	-
	(57,575)	283,504
Investing activities		
Purchase of equipment	(6,396)	(5,670)
Investments, net (reinvestment) draw	(102,673)	23,689
	(109,069)	18,019
Financing activity		
Capital lease obligation repaid	(8,913)	(10,458)
(Decrease) increase in cash	(175,557)	291,065
Cash, beginning of year	484,390	193,325
Cash, end of year	308,833	484,390
Supplemental cash flow information		
Interest paid	4,280	4,855

Asia Pacific Foundation of Canada

Notes to the financial statements

March 31, 2010

1. Scope of operations

The Asia Pacific Foundation of Canada (the "Foundation") was established by an Act of Parliament on June 1, 1984 and is dedicated to developing the skills and networks, and disseminating the information, that Canadians need to become more successful in the Asia Pacific region. The Foundation is registered with Canada Revenue Agency as a charitable organization and is exempt from income taxes.

The Foundation historically received annual funding on a year-to-year basis from the federal and provincial governments for use towards specific programs or projects. That annual funding has been replaced by the income now earned on a \$50 million endowment fund established by the federal government in November 2005.

The principal endowment fund of \$50 million is to be maintained permanently.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

(a) *Changes in accounting policies*

On April 1, 2009, the Foundation adopted the changes made to Sections 4400, 4460 and the new recommendations of Section 4470 of the Canadian Institute of Chartered Accountants ("CICA") Handbook.

Effective April 1, 2009, the Foundation adopted retroactively the changes to the recommendations in the CICA Handbook Section 4400, *Financial Statement Presentation for Not-for-Profit Organizations*, that eliminates the requirement to separately disclose the amount of net assets invested in equipment and leasehold improvements. The Foundation has therefore eliminated from the financial statements details about the amount of net assets invested in equipment and leasehold improvements and the calculation of this amount. As a result, the Foundation has reclassified the prior year financial statements to include the amount of net assets invested in equipment and leasehold improvements as at April 1, 2008 of \$255,061 and as at April 1, 2009 of \$224,825 in unrestricted net assets.

Section 4400 also requires the reporting of certain gross revenues in the statement of operations and additional disclosures when a not-for-profit organization classifies its expenses by function and allocates a portion of their fundraising and general support costs to another function. The adoption of this part of the section has no impact on the financial statements.

Section 4460, *Disclosure of Related Transactions by Not-For-Profit Organizations*, has been amended to make the language in Section 4460 consistent with related party transactions, Section 3840. The adoption of this section had no impact on the financial statements.

Section 4470, *Disclosure of Allocated Expenses by Not-For-Profit Organizations*, establishes disclosure standards for a not-for-profit organization that classifies its expenses by function and allocates its general support expenses to a number of functions to which the expenses relate. No expenses were allocated to functions during the year.

Asia Pacific Foundation of Canada

Notes to the financial statements

March 31, 2010

2. Significant accounting policies (continued)

(b) Revenue recognition

- (i) Income from investments is recognized on the accrual basis.
- (ii) The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the same year in which the related expenses are recognized. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.
- (iii) Investments owned are carried at fair value as at the close of business on the balance sheet date. Fair value is based on closing prices. Realized and unrealized changes in fair value are recognized in income from principal transactions in the period in which the changes occur.

(c) Grants

As part of the requirement of the restricted endowment fund, the Foundation makes commitments to provide funding to various research projects in disseminating information in the Asia Pacific region. These commitments are recorded when awarded.

(d) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired, their characteristics and the Foundation's designation of such instruments.

Held-for-trading

Cash and investments have been designated by the Foundation as held-for-trading and are measured at fair value. Interest earned, interest accrued, gains and losses realized on disposal are included in endowment fund income and interest on short-term investments. Unrealized gains and losses are included separately in the statement of operations.

Receivables

Accounts receivable have been designated as receivables and are accounted for at amortized cost using the effective interest rate method.

Other liabilities

Accounts payable have been designated as other liabilities and are recorded at amortized cost using the effective interest method.

The Foundation has elected to use the exemption provided by the CICA permitting not-for-profit organizations not to apply the following Sections of the CICA Handbook: 3862, *Financial Instruments - Disclosures*, 3863, *Financial Instruments - Presentation*, and 3865, *Hedges*, which would otherwise have applied to the financial statements of the Foundation for the year ended March 31, 2010. The Foundation applies the requirements of Section 3861, *Financial Instruments - Disclosure and Presentation*, of the CICA Handbook.

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Notes to the financial statements

March 31, 2010

2. Significant accounting policies (continued)

(e) *Equipment and leasehold improvements*

Purchased long-lived assets with individual costs in excess of \$5,000 are capitalized at cost and purchased long-lived assets with individual costs below \$5,000 are expensed (2010 - \$5,551; 2009 - \$12,335). Long-lived assets are amortized on a straight-line basis over their estimated useful lives, using the half-year rate in the year of acquisition.

Equipment under capital lease	4 - 5 years
Furniture and office equipment	6 years
Leasehold improvements	10 years
Computer equipment and software	3 years

Equipment and leasehold improvements are tested for recoverability whenever events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the assets over their fair value.

There is no impairment loss recognized in the current year.

(f) *Endowment fund*

Investments in the endowment fund are recorded at fair value and consist of units in various Phillips, Hager & North funds. Unrealized gains or losses arising from the measurement of investments at market value are reflected as unrealized gains or losses in the statement of operations. The Foundation, under its endowment fund agreement, is:

- (i) committed to use 10% of its investment revenue earned from the endowment funds in the prior year, commencing in the year ending March 31, 2007, increasing to 25% by 2012/2013 and onwards, to fund a grant program. Total grants awarded for the year are \$216,138 (2009 - \$323,091); and
- (ii) committed to preserve the principal endowment fund of \$50 million over the long term.

(g) *Deferred lease inducements*

Deferred lease inducements consist of lease incentive funds received from landlords. These inducements are amortized over the term of the office lease, as a reduction of rent expense.

(h) *Defined contribution plans*

The Foundation provides a defined contribution plan in the form of a matching group RRSP contribution up to 5% of gross salary. In the fiscal year ending March 31, 2010, pension benefits expense related to this plan was \$28,420 (2009 - \$36,645).

(i) *Capital disclosures*

The Foundation has no externally imposed capital requirements, except for the endowment fund per Note 2 (f). The Foundation manages its capital primarily through its investments and adheres to the guidelines of the Foundation's investment policies. There have been no changes to these guidelines during the year.

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Notes to the financial statements

March 31, 2010

2. Significant accounting policies (continued)

(j) *Use of estimates*

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used for, but not limited to, unrealized gain (loss) on endowment fund, allowance for doubtful accounts and amortization. Actual results could differ from those estimates.

3. Equipment and leasehold improvements

	2010		2009	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Equipment under capital lease	10,663	9,598	1,065	7,177
Furniture and office equipment	48,645	44,393	4,252	5,197
Leasehold improvements	336,584	146,586	189,998	222,573
Computer equipment	58,979	53,649	5,330	-
	454,871	254,226	200,645	234,947

4. Investments

Endowment fund investments consist of various liquid and short-term marketable securities and are stated at fair value (Note 2 (f)).

The endowment fund portfolio holds investments in the following Phillips, Hager & North Funds:

	2010		2009	
	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$
Canadian Money Market Fund	1,189,870	1,189,870	894,551	894,551
Short-term Bond and Mortgage Fund	9,183,895	9,570,749	8,873,758	9,047,618
Mortgage Pension Trust	2,820,774	2,846,780	2,674,532	2,664,471
Bond Fund	10,598,321	10,790,677	9,705,066	9,484,848
Canadian Income	7,083,616	6,343,313	7,067,931	3,965,698
Dividend Income	13,464,214	13,435,702	13,715,615	9,532,745
Canadian Equity	6,268,633	6,361,121	7,653,876	5,535,609
U.S. Equity Fund	4,150,780	3,667,650	4,072,101	3,003,024
	54,760,103	54,205,862	54,657,430	44,128,564

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Notes to the financial statements

March 31, 2010

5. Commitments and contingent liabilities

- (a) The Foundation has a lease agreement for its office premises effective from November 1, 2005 with a term of ten years and four months. Future minimum lease payments are as follows:

	\$
2011	105,241
2012	105,241
2013	105,241
2014	105,241
2015	105,241
2016	96,471
	<hr/> 622,676 <hr/>

- (b) The Foundation currently guarantees credit cards used for travel expenses by its employees up to \$50,000 (2009 - \$50,000).

6. Financial instruments

- (a) *Fair value*

The Foundation's financial instruments consist of cash, accounts receivable, investments and accounts payable.

The fair value of the financial instruments, except for the investments which are carried at fair market value, approximates carrying value due to short-term maturity of these instruments.

- (b) *Interest rate risk*

The Foundation is exposed to interest rate risk through its investments as the risk that the value of a financial instrument will fluctuate due to changes in interest rates and the degree of volatility of these rates. The Foundation does not use derivative instruments to reduce its exposure to interest rate risk.

- (c) *Market risk*

Market risk is the risk that the fair value of the Foundation's financial instruments will fluctuate as a result of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return. This risk is managed by the Foundation's investment managers through diversified portfolios and monitoring of the market capitalization and trading liquidity of each holding. All securities present a risk of loss equivalent to their fair value.