

Financial statements of

**Asia Pacific Foundation
of Canada**

March 31, 2009

Asia Pacific Foundation of Canada

March 31, 2009

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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, 2009 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.

These financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2009 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
May 29, 2009

Asia Pacific Foundation of Canada

Statement of operations year ended March 31, 2009

	2009	2008
	\$	\$
Revenues		
Endowment fund income, net of investment consulting fee of \$117,048 (2008 - \$121,829)	2,116,881	3,246,744
Direct government funding	176,796	480,000
Private sector funding	72,500	-
Sponsored programs	28,432	90,917
Interest on short-term investments	4,436	186,452
	2,399,045	4,004,113
Expenses		
Employment compensation	949,040	1,010,821
Consultants and professionals	223,819	233,874
Office lease/maintenance	166,418	157,882
Travel	144,849	141,683
Administration and information systems	115,911	168,614
Other operating expenses	70,454	64,437
Amortization	46,364	49,114
Publication/websites	45,467	19,798
Secretariat fee	36,130	38,215
Conference and events	19,406	9,935
	1,817,858	1,894,373
Excess of revenues over expenses before the undernoted	581,187	2,109,740
Unrealized loss on endowment fund	(9,952,752)	(3,622,565)
Grants (Note 2 (g))	(323,091)	(630,793)
Deficiency of revenues over expenses	(9,694,656)	(2,143,618)

Asia Pacific Foundation of Canada

Statement of changes in net assets
year ended March 31, 2009

	2009			2008	
	Invested in equipment and leasehold improvements	Restricted endowment funds (Note 1)	Unrestricted	Total	Total
	\$	\$	\$	\$	\$
Balance, beginning of year	255,061	50,000,000	3,991,900	54,246,961	56,390,579
Purchase of equipment	5,670		(5,670)	-	-
Deficiency of revenues over expenses	-	-	(9,694,656)	(9,694,656)	(2,143,618)
Amortization, net of capital lease obligation repaid	(35,906)	-	35,906	-	-
Balance, end of year	224,825	50,000,000	(5,672,520)	44,552,305	54,246,961

Asia Pacific Foundation of Canada

Balance sheet

as at March 31, 2009

	2009	2008
	\$	\$
Assets		
Current assets		
Cash	484,390	193,325
Accounts receivable	106,362	160,420
Prepaid expenses	56,929	61,340
	647,681	415,085
Equipment and leasehold improvements (Note 3)	234,947	275,641
Endowment fund (Cost - \$54,657,430 (2008 - \$54,681,023)) (Notes 2 (d) and 4)	44,128,564	54,105,005
	45,011,192	54,795,731
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	303,260	360,305
Current portion of capital lease obligation (Note 5)	8,740	10,496
	312,000	370,801
Capital lease obligation (Note 5)	1,382	10,084
Deferred lease inducements	145,505	167,885
	458,887	548,770
Net assets		
Invested in equipment and leasehold improvements	224,825	255,061
Restricted endowment funds	50,000,000	50,000,000
Unrestricted	(5,672,520)	3,991,900
	44,552,305	54,246,961
	45,011,192	54,795,731

Commitments and contingent liabilities (Notes 2 (d) and 6)

Approved by the Board of Directors

Director

Director

Asia Pacific Foundation of Canada

Statement of cash flows year ended March 31, 2009

	2009	2008
	\$	\$
Operating activities		
Deficiency of revenues over expenses	(9,694,656)	(2,143,618)
Items not involving cash		
Amortization	46,364	49,114
Amortization of deferred lease inducement	(22,380)	(22,381)
Change in unrealized loss on short-term investments and endowment fund	9,952,752	3,622,565
	282,080	1,505,680
Changes in non-cash working capital		
Accounts receivable	54,058	(24,839)
Prepaid expenses	4,411	(17,362)
Accounts payable and accrued liabilities	(57,045)	(240,485)
	283,504	1,222,994
Investing activities		
Purchase of equipment	(5,670)	-
Short-term investments net draw	-	1,787,555
Endowment fund net draw (reinvestment)	23,689	(3,231,288)
	18,019	(1,443,733)
Financing activity		
Capital lease obligation repaid	(10,458)	(9,834)
Increase (decrease) in cash	291,065	(230,573)
Cash, beginning of year	193,325	423,898
Cash, end of year	484,390	193,325
Supplemental cash flow information		
Interest paid	4,855	5,073

Asia Pacific Foundation of Canada

Notes to the financial statements

March 31, 2009

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*

(i) Financial instruments

The Foundation has elected to use the exemption provided by the Canadian Institute of Chartered Accountants ("CICA") permitting not-for-profit organizations not to apply the following Sections of the CICA Handbook: 3862, *Financial Instruments - Disclosures*, and 3863, *Financial Instruments - Presentation*, which would otherwise have applied to the financial statements of the Foundation for the year ended December 31, 2008. The Foundation applies the requirements of Section 3861 of the CICA Handbook.

(ii) General standards of financial statement presentation

The CICA Handbook Section 1400 has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. Management shall make an assessment of an entity's ability to continue as a going concern. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed.

(iii) Capital disclosures

The Foundation adopted the recommendations of the CICA Handbook Section 1535, *Capital Disclosures*. This section requires the disclosure of information about externally imposed capital requirements. As the Foundation has no externally imposed capital requirements, except for the endowment fund per Note 2 (d), the adoption of this section has no impact on the financial statements. 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, 2009

2. Significant accounting policies (continued)

(b) *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 endowment fund 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.

Liabilities

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

(c) *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 (2009 - \$12,335; 2008 - \$16,536). 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.

Asia Pacific Foundation of Canada

Notes to the financial statements

March 31, 2009

2. Significant accounting policies (continued)

(d) *Endowment fund*

Investments in the endowment fund are recorded at fair value and consist of units in Phillips, Hager & North Canadian Money Market Fund, Income Fund, and Equity Fund. 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 2011 and onwards, to fund a grant program. Total grants awarded for the year are \$323,091 (2008 - \$630,793).
- (ii) committed to preserve the principal endowment fund of \$50 million over the long term.

(e) *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.

(f) *Revenue recognition*

- (i) Income from endowment funds and short-term 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.
- (ii) 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.

(g) *Grants*

As part of the requirement of the restricted endowment fund (Note 6 (c)), 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.

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Notes to the financial statements

March 31, 2009

2. Significant accounting policies (continued)

(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, 2008, pension benefits expense related to this plan was \$36,645 (2008 - \$31,201).

(i) *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 loss on endowment fund, allowance for doubtful accounts and amortization. Actual results could differ from those estimates.

(j) *Future accounting changes*

The CICA has amended Section 4400, *Financial Statement Presentation by Not-For-Profit Organizations*, that will revise and enhance the current disclosure requirements for various elements of financial reporting. For the Foundation, the amendments will be effective for the fiscal year commencing April 1, 2009. The amendments require 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.

3. Equipment and leasehold improvements

	2009		2008
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Equipment under capital lease	42,513	35,336	7,177
Furniture and office equipment	16,795	11,598	5,197
Leasehold improvements	336,584	114,011	222,573
Computer equipment	52,582	52,582	-
	448,474	213,527	234,947
			275,641

Asia Pacific Foundation of Canada

Notes to the financial statements

March 31, 2009

4. Restricted endowment funds

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

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

	2009		2008	
	Cost	Fair value	Cost	Fair value
	\$	\$	\$	\$
Canadian Money Market Fund	894,551	894,551	3,740,363	3,740,363
Short-term Bond and Mortgage Fund	8,873,758	9,047,618	10,443,249	10,606,112
Mortgage Pension Trust	2,674,532	2,664,471	2,528,944	2,552,582
Bond Fund	9,705,066	9,484,848	12,167,946	12,153,299
Canadian Income	7,067,931	3,965,698	5,916,963	5,426,892
Dividend Income	13,715,615	9,532,745	11,392,385	10,992,271
Canadian Equity	7,653,876	5,535,609	6,411,308	6,710,853
U.S. Equity Fund	4,072,101	3,003,024	2,079,865	1,922,633
	54,657,430	44,128,564	54,681,023	54,105,005

5. Capital lease obligation

Future minimum lease payments on the capital lease obligation are as follows:

	\$
2010	9,274
2011	1,106
	<u>10,380</u>
Less: Imputed interest at 5.18% to 6%	(258)
	<u>10,122</u>
Current obligation	(8,740)
Long-term obligation	<u>1,382</u>

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Notes to the financial statements

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6. 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:

	\$
2010	88,608
2011	105,241
2012	105,241
2013	105,241
2014	105,241
2015	105,241
2016	96,471

- (b) The Foundation currently guarantees credit cards used for travel expenses by its employees up to \$50,000 (2008 - \$50,000).

7. Financial instruments

- (a) *Fair value*

The Foundation's financial instruments consist of cash, short-term investments, accounts receivable, endowment fund and accounts payable.

The fair value of the financial instruments, except for the endowment fund which is carried at fair market value as described in Note 2 (d), 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 endowment fund 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.