Audited Financial Statements of

CANADIAN GLOBAL AFFAIRS INSTITUTE

Years ended December 31, 2016 and 2015

KPMG LLP
3100, 205 - 5th Avenue SW
Calgary AB T2P 4B9
Canada
Tel 403-691-8000
Fax 403-691-8008

INDEPENDENT AUDITORS' REPORT

To the Members of Canadian Global Affairs Institute

We have audited the accompanying financial statements of Canadian Global Affairs Institute, which comprise the statements of financial position as at December 31, 2016 and 2015, the statements of operations, changes in net assets and cash flows for the years then ended, and notes, comprising 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the 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 our 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, we consider internal control relevant to the entity'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 entity'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 in our audits 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 Canadian Global Affairs Institute as at December 31, 2016 and 2015, and its results of operations and its cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants

April 27, 2017
Calgary Canada

CANADIAN GLOBAL AFFAIRS INSTITUTE

Statements of Financial Position

December 31, 2016 and December 31, 2015

	2016	2015
Assets		
Current Assets:		
Cash	$ 332,691	$ 305,525
Accounts receivable (note 2)	37,996	73,037
Prepaids	3,659	3,322
	374,346	381,884
Capital assets (note 3)	183	229
	$ 374,529	$ 382,113
Liabilities & Net Assets		
Current Liabilities:		
Accounts payable and accrued liabilities (note 2)	86,241	43,245
Deferred revenue (note 4)	129,800	34,767
	216,041	78,012
Net assets	158,488	304,101
	$ 374,529	$ 382,113

See accompanying notes to financial statements

On behalf of the Board:

[signature] Director

[signature] Director

CANADIAN GLOBAL AFFAIRS INSTITUTE

Statements of Operations

Years ended December 31, 2016 and 2015

		2016		2015
Revenues:				
Donations (note 2)	$	396,174	$	735,520
Events		106,855		92,828
Grants and project funding (note 2)		242,417		201,184
Interest		853		5
		746,299		1,029,537
Expenses:				
Projects		450,955		423,767
Project support services (note 5)		297,844		324,534
Fundraising (note 5)		76,698		57,680
General & administration (note 5)		66,369		53,900
Amortization		46		57
		891,912		859,938
Excess (deficiency) of revenues over expenses	$	(145,613)	$	169,599

See accompanying notes to financial statements

CANADIAN GLOBAL AFFAIRS INSTITUTE

Statements of Changes in Net Assets

Years ended December 31, 2016 and 2015

		2016		2015
Balance, beginning of year	$	304,101	$	134,502
Excess (deficiency) of revenues over expenses		(145,613)		169,599
Balance, end of year	$	158,488	$	304,101

See accompanying notes to financial statements

CANADIAN GLOBAL AFFAIRS INSTITUTE

Statements of Cash Flows

Years ended December 31, 2016 and 2015

		2016		2015
Cash provided by (used in):				
Operations:				
Excess (deficiency) of revenues over expenses	$	(145,613)	$	169,599
Add (deduct) items not affecting cash:				
Amortization		46		57
		(145,567)		169,656
Net change in non-cash working capital:				
Accounts receivable		35,041		12,597
Prepaids		(337)		(615)
Accounts payable		42,996		(10,684)
Deferred revenue		95,033		(56,242)
		172,733		(54,944)
Cash provided by (used in) operating activities		27,166		114,712
Increase in cash		27,166		114,712
Cash, beginning of year		305,525		190,813
Cash, end of year	$	332,691	$	305,525

See accompanying notes to financial statements

Organization

The Canadian Global Affairs Institute (the "Institute") was incorporated under the Canada Corporations Act and obtained status from the Canadian Charities directorate as a registered charity under the Income Tax Act on August 3, 2001. The Institute was continued under the Canada Not-for-profit Corporations Act on June 23, 2014. The Institute is exempt from income taxes. The Institute is dedicated to enhancing Canada's role in the world by helping to stimulate awareness and debate amongst Canadians about their nation's defence and foreign policies and the instruments that serve them. During 2015, the Institute changed its name from the Canadian Defence and Foreign Affairs Institute.

1. Significant Accounting Policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CPA Handbook.

(a) Revenue recognition:

The Institute follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related restricted purpose expenses are incurred. Contributions receivable will be recorded if the amount to be received can be reasonably estimated and the collection is reasonably assured.

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.

The Institute reports revenues and expenses at their gross amounts in the statement of operations when it is the principal in the transactions involved. The Institute acted as the principal in all of its 2016 and 2015 transactions and therefore, all revenues and expenses are reported at their gross amounts.

(b) Capital assets:

Capital assets are recorded at cost and amortized over the useful life of the assets. Furniture and equipment are amortized on a declining balance basis at 20%. Computer equipment is amortized on a straight-line basis over 3 years.

(c) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items include valuation of accounts receivable,

1. Significant Accounting Policies (continued):

(c) Use of estimates (continued):

completeness of accrued liabilities and the allocation of expenses. Actual results could differ from those estimates.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Institute has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are any indicators of impairment. If there is an indicator of impairment, the Institute determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial assets or the amount the Institute expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

2. Related party transactions:

During the year ended December 31, 2016, the Institute recognized donations and revenue in the amount of $251,050 (2015 - $526,000) from Directors, Members, companies controlled by Members, and a company in which a Director was a member of the executive team. At the year ended December 31, 2016, the Institute had receivables in the amount of $nil (2015 - $50,000) from these related parties.

During the year ended December 31, 2016, the Institute paid administrative fees of $140,532 (2015 - $146,445) to a company controlled by a Member and a company of which a Member is a shareholder. At the year ended December 31, 2016, the Institute had payables in the amount of $2,886 (2015 – $2,749) owing to these related parties.

2. Related party transactions (continued):

All related party transactions are provided in the normal course of business and recorded at the exchange amount being the amount agreed to by the parties.

3. Capital assets:

December 31, 2016		Cost		Accumulated amortization		Net book value
Furniture and equipment	$	3,887	$	3,704	$	183
Computer equipment		11,850		11,850		-
Total	$	15,737	$	15,554	$	183

December 31, 2015		Cost		Accumulated amortization		Net book value
Furniture and equipment	$	3,887	$	3,658	$	229
Computer equipment		11,850		11,850		-
Total	$	15,737	$	15,508	$	229

4. Deferred revenue:

Deferred revenue relates to prepayment of speakers series' tickets and sponsorships for dinners and events taking place in the following year.

5. Allocated expenses:

General support expenses are allocated to projects' expenses, fundraising expenses and general and administrative expenses. Salary and contract expenses are allocated based on budgeted hours and actual hours. Professional expenses are allocated based on historical resource utilization. General and administrative expenses are also allocated based on historical resource utilization.

5. Allocated expenses (continued):

December 31, 2016	Salary and contract expense	Professional expense	Other general support expense	Total
Projects' support services expense	$ 157,726	$ 102,886	$ 37,232	$ 297,844
Fundraising	37,445	30,031	9,222	76,698
General & administrative	31,919	27,865	6,585	66,369
Total	$ 227,090	$ 160,782	$ 53,039	$ 440,911

December 31, 2015	Salary and contract expense	Professional expense	Other general support expense	Total
Projects' support services expense	$ 161,246	$ 118,269	$ 45,019	$ 324,534
Fundraising	31,949	19,041	6,690	57,680
General & administrative	22,942	24,305	6,653	53,900
Total	$ 216,137	$ 161,615	$ 58,362	$ 436,114

6. Financial risk and concentration of risk:

(a) Credit risk:

The Institute is exposed to credit risk on its accounts receivable from its clients and its cash held at banks. The Institute assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The Institute only deals with highly reputable financial institutions.

(b) Interest rate risk:

The Institute is not exposed to significant interest rate risk.

(c) Liquidity risk:

Liquidity risk is the risk of being unable to meet cash requirements or to fund obligations on a timely basis or at a reasonable cost. The Institute prepares annual budgets to ensure its obligations are met. The Institute is not exposed to significant liquidity risk.