

Audited Financial Statements of

CANADIAN GLOBAL AFFAIRS INSTITUTE

Years ended December 31, 2018 and 2017



KPMG LLP
Bow Valley Square II
3100, 205 5th Avenue SW
Calgary Alberta T2P 4B9
Canada
Tel (403) 691-8000
Fax (403) 691-8008

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Canadian Global Affairs Institute

Opinion

We have audited the financial statements of Canadian Global Affairs Institute (the Entity), which comprise:

- the statements of financial position as at December 31, 2018 and 2017
- the statements of operations for the years then ended
- the statements of changes net assets (deficiency) for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018 and 2017, 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.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.



We are independent of the Entity in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.



The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink, appearing to read 'KPMG LLP'.

Chartered Professional Accountants

Calgary, Canada
April 24, 2019

CANADIAN GLOBAL AFFAIRS INSTITUTE

Statements of Financial Position

December 31, 2018 and December 31, 2017

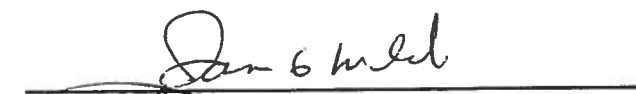
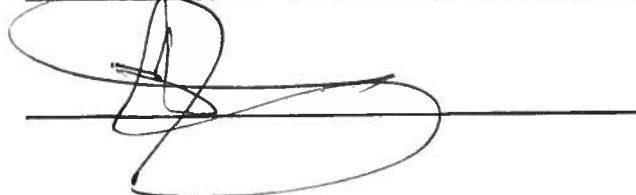
	2018	2017
Assets		
Current Assets:		
Accounts receivable	\$ 62,395	\$ 45,862
Prepays	20,120	25,196
	82,515	71,058
	<u>\$ 82,515</u>	<u>\$ 71,058</u>

Liabilities & Deficiency

Current Liabilities:		
Cheques issued in excess of cash on hand	\$ 70,987	\$ 1,890
Accounts payable and accrued liabilities (note 2)	113,468	104,627
Deferred revenue (note 3)	100,000	117,500
	284,455	224,017
Deficiency	(201,940)	(152,959)
Commitments (note 5)		
Subsequent event (note 6)		
	<u>\$ 82,515</u>	<u>\$ 71,058</u>

See accompanying notes to financial statements

On behalf of the Board:

Director

Director

CANADIAN GLOBAL AFFAIRS INSTITUTE

Statements of Operations

Years ended December 31, 2018 and 2017

	2018	2017
Revenues:		
Donations (note 2)	\$ 604,429	\$ 491,190
Events	310,471	125,000
Grants and project funding (note 2)	367,896	251,600
Interest	-	338
	<u>1,282,796</u>	<u>868,128</u>
Expenses:		
Project support services (notes 2, 4)	495,087	654,136
Projects	474,495	267,668
Fundraising (notes 2, 4)	217,484	167,180
General & administration (notes 2, 4)	143,635	90,408
Interest	1,076	-
Amortization	-	183
	<u>1,331,777</u>	<u>1,179,575</u>
Deficiency of revenues over expenses	<u>\$ (48,981)</u>	<u>\$ (311,447)</u>

See accompanying notes to financial statements

CANADIAN GLOBAL AFFAIRS INSTITUTE

Statements of Changes in Net Assets (Deficiency)

Years ended December 31, 2018 and 2017

	2018	2017
Balance, beginning of year	\$ (152,959)	\$ 158,488
Deficiency of revenues over expenses	(48,981)	(311,447)
Balance, end of year	\$ (201,940)	\$ (152,959)

See accompanying notes to financial statements

CANADIAN GLOBAL AFFAIRS INSTITUTE

Statements of Cash Flows

Years ended December 31, 2018 and 2017

	2018	2017
Cash provided by (used in) the following activities:		
Operating:		
Deficiency of revenues over expenses	\$ (48,981)	\$ (311,447)
Add (deduct) items not affecting cash:		
Amortization	-	183
	(48,981)	(311,264)
Net change in non-cash working capital:		
Accounts receivable	(16,533)	(7,866)
Prepays	5,076	(21,537)
Accounts payable	8,841	18,386
Deferred revenue	(17,500)	(12,300)
	(20,116)	(23,317)
Cash used in operating activities	(69,097)	(334,581)
Decrease in cheques issued in excess of cash on hand	(69,097)	(334,581)
Cash (cheques issued in excess of cash on hand), beginning of year	(1,890)	332,691
Cheques issued in excess of cash on hand, end of year	\$ (70,987)	\$ (1,890)

See accompanying notes to financial statements

CANADIAN GLOBAL AFFAIRS INSTITUTE
Notes to Financial Statements
December 31, 2018 and 2017

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 August 8, 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.

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 2018 and 2017 transactions and therefore, all revenues and expenses are reported at their gross amounts.

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

CANADIAN GLOBAL AFFAIRS INSTITUTE
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1. Significant Accounting Policies (continued):

(c) 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, 2018, the Institute recognized donations and revenue in the amount of \$530,117 (2017 - \$457,485) from Directors, Members, companies controlled by Members, and a company in which a Director was a member of the executive team.

During the year ended December 31, 2018, the Institute paid administrative and consulting fees of \$464,871 (2017 - \$657,049) to companies owned by management, a company controlled by a Member and a company of which a Member is a shareholder. At the year ended December 31, 2018, the Institute had payables in the amount of \$45,879 (2017 - \$54,925) owing to these related parties.

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. Deferred revenue:

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

CANADIAN GLOBAL AFFAIRS INSTITUTE
Notes to Financial Statements
December 31, 2018 and 2017

4. Allocated expenses:

General support expenses are allocated to project 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.

December 31, 2018	Salary and contract expense	Professional expense	Other general support expense	Total
Project expenses	\$ 380,207	\$ 24,077	\$ 90,803	\$ 495,087
Fundraising	153,380	21,145	42,959	217,484
General & administrative	102,467	16,422	24,746	143,635
Total	\$ 636,054	\$ 61,644	\$ 158,508	\$ 856,206

December 31, 2017	Salary and contract expense	Professional expense	Other general support expense	Total
Project expenses	\$ 386,371	\$ 122,147	\$ 145,618	\$ 654,136
Fundraising	101,340	36,910	28,930	167,180
General & administrative	38,679	30,472	21,257	90,408
Total	\$ 526,390	\$ 189,529	\$ 195,805	\$ 911,724

5. Commitments:

The Institute rents premises under a long-term operating lease that expires on January 31, 2021. The annual rent is \$36,561 and the future minimum lease payments to the expiry date are \$76,169.

6. Subsequent Events:

On January 24, 2019, the Institute opened a revolving Operating Loan Facility (the "Loan Facility") with a Canadian bank available to a maximum of \$150,000, and a corporate Mastercard facility to a maximum of \$50,000. The Loan Facility bears interest at the bank's prime rate plus 1.5% per annum and is payable in full on demand by the Lender. The Loan Facility is secured by a General Security Agreement and the Institute is required to comply with positive, negative and financial covenants. The financial covenant requires the Institute to maintain an Interest Coverage ratio of at least 3.00:1.

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6. Subsequent Events (continued):

Subsequent to year-end a non-interest bearing loan for \$10,000 with no fixed terms of repayment was received from a related company controlled by a Member. The loan was repaid in full in January 2019.

7. 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.

8. Comparative information:

Comparative information has been reclassified, where applicable, to conform with the presentation used in the current year.