

The Conference Board of Canada  
**Insights You Can Count On**

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***Audited Consolidated Financial Statements***

May 31, 2011

## Management's Responsibility for Financial Reporting

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has ensured that the consolidated financial statements are presented fairly in all material respects. The financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

The Conference Board of Canada maintains adequate systems of internal accounting and administrative controls consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that assets are appropriately accounted for and adequately safeguarded.

Through its Audit Committee, the Board of Directors of the Corporation is responsible for reviewing and approving the consolidated financial statements and ensures management fulfills its responsibilities for financial reporting.

The Audit Committee is appointed by the Board and is composed of directors who are not employees of the Corporation. The Audit Committee meets periodically with management and with external auditors to discuss internal controls, auditing matters and financial and reporting issues to satisfy itself that each party is properly discharging its responsibilities. The Audit Committee reviews the consolidated financial statements and the external auditors' report and also considers, for approval by the Board, the engagement or reappointment of the external auditors. The Audit Committee reports its findings to the Board for its consideration when approving the consolidated financial statements for issuance.

The consolidated financial statements have been audited by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards. KPMG LLP has full and free access to the Audit Committee.



**Anne Golden**  
President and Chief Executive Officer



**Jean-Pierre Boisclair**  
Vice-President and Chief Financial Officer

# INDEPENDENT AUDITORS' REPORT

To the Members of The Conference Board of Canada

## **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of The Conference Board of Canada, which comprise the consolidated statement of financial position as at May 31, 2011, the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Conference Board of Canada as at May 31, 2011, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

**Report on Other Legal and Regulatory Requirements**

As required by the *Canada Corporations Act*, we report that, in our opinion, the accounting policies applied in preparing and presenting the consolidated financial statements in accordance with Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

*KPMG LLP*



Chartered Accountants, Licensed Public Accountants

September 21, 2011

Ottawa, Canada

## Consolidated Statement of Financial Position

<i>As at May 31 (thousands)</i>	Notes	2011	2010
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 6,851	5,418
Short-term investments	2	8,317	8,058
Accounts receivable		4,425	4,341
Prepaid expenses		560	407
		<u>20,153</u>	<u>18,224</u>
<b>Capital Assets</b>	4	<u>4,181</u>	<u>4,378</u>
		<u>24,334</u>	<u>22,602</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		5,036	4,560
Deferred revenue		7,539	7,322
		<u>12,575</u>	<u>11,882</u>
<b>NET ASSETS</b>	6	<u>\$ 11,759</u>	<u>10,720</u>
Commitments	5		

*See accompanying notes to consolidated financial statements.*

On behalf of the Board:



Director



Director

## Consolidated Statement of Operations

<i>For the year ended May 31 ( thousands)</i>	<b>2011</b>	2010
<b>Revenues</b>		
Research	\$ 10,610	8,780
Economic Forecasting and Publications	7,255	6,954
Leadership Development	6,103	5,273
Conferences	2,653	2,594
Executive Networks	6,039	6,148
Interest income	245	349
	<u>32,905</u>	<u>30,098</u>
<b>Expenses</b>		
Direct and Indirect Program Expense	24,813	22,678
Corporate Expense	6,359	6,284
Depreciation	680	834
	<u>31,852</u>	<u>29,796</u>
<b>Excess of revenues over expenses</b>	<u>\$ 1,053</u>	<u>302</u>

## Consolidated Statement of Changes in Net Assets

<i>For the year ended May 31 (thousands)</i>	Invested in Capital Assets	Unrestricted	Internally Restricted Research Fund (note 6)	2011	2010
Net Assets, beginning of year	\$ 4,378	4,956	1,386	10,720	10,651
Excess of revenues over expenses	–	300	753	1,053	302
Change in unrealized gains on short-term investments	–	6	–	6	(81)
Expenses — Restricted Research Fund	–	–	(20)	(20)	(152)
Depreciation	(680)	680	–	–	–
Investment in capital assets	483	(483)	–	–	–
Net Assets, end of year	<u>\$ 4,181</u>	<u>5,459</u>	<u>2,119</u>	<u>11,759</u>	<u>10,720</u>

*See accompanying notes to consolidated financial statements.*

## Consolidated Statement of Cash Flows

*For the year ended May 31 (thousands)* **2011**      2010

**Cash provided by (used in ):**

**Operating activities:**

Excess of revenues over expenses	\$ 1,053	302
Depreciation	680	834
	1,733	1,136
Expenses — Restricted Research Fund	(20)	(152)
Changes in non-cash components of operating working capital	456	759
	2,169	1,743

**Financing and investing activities:**

Net purchases of short-term investments	(253)	936
Purchase of capital assets	(483)	(156)
	(736)	780

**Increase in cash** 1,433      2,523

Cash, beginning of year 5,418      2,895

**Cash, end of year** \$ 6,851      5,418

*See accompanying notes to consolidated financial statements.*

# Notes to Consolidated Financial Statements

Year ended May 31, 2011 (in thousands, unless otherwise stated)

## 1. INCORPORATION AND OBJECTIVES

AERIC Inc. is incorporated under the *Canada Corporations Act* and conducts its operations under the firm name and style as The Conference Board of Canada (the "Corporation"). It is a corporation without share capital and qualifies for tax-exempt status as a registered charity under the Income Tax Act (Canada). An annual licence agreement with The Conference Board, Inc. governs the use of the name The Conference Board of Canada.

The objectives of the Corporation are exclusively charitable, scientific and educational and are:

- a. To conduct objective scientific research and investigation in the fields of business, economics and public affairs and to make available, through periodicals and other publications, the information resulting from such activities to its members and to other persons, firms, corporations, associations, educational and other institutions to the federal and provincial governments of Canada and any department, bureau or agency thereof, and to the general public;
- b. To assemble, analyze and disseminate, on a non-political basis, objective information in regard to economic conditions and management experience in Canada and other countries;
- c. To conduct educational and scientific conferences of executives, professional specialists and others for discussion of economic, business and public affairs;
- d. To contribute to the educational and professional training of executives, and in general to encourage and promote the sound development of Canadian industry.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Basis of preparation**

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

### **Basis of consolidation**

The consolidated financial statements include the accounts of The Conference Board of Canada and The Niagara Institute for International Studies, also a not-for-profit institution which provides executive leadership development courses. The proportionate consolidation method is used to account for the Corporation's 50 percent interest in the joint venture, The Directors College. All significant intercompany transactions and balances are eliminated.

### **Revenue recognition**

Revenues from memberships and subscriptions are initially deferred and subsequently recognized as revenue over the related membership or subscription period. Revenues from fee-paid services are recognized in the period when the related service is provided and collectibility is reasonably assured. Long-term research contracts are recognized, based on the estimated percentage of work completed. Billings for long-term research contracts in excess of revenue recognized are recorded as deferred revenue.

### **Capital assets**

Capital assets are recorded at cost. Depreciation is calculated by the straight-line method. The estimated useful lives of the assets are:

- Furniture and fixtures ..... 5 years
- Computer and other equipment ..... 3 years
- Software ..... 2 years
- Building ..... 40 years

## Notes to Consolidated Financial Statements (continued)

*Year ended May 31, 2011 (in thousands, unless otherwise stated)*

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Capital assets (continued)**

Internally developed assets are recognized when appropriate evidence exists supporting the probable recovery of costs incurred.

#### **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 at the date of the financial statements and the reported amounts of revenues and expenses. Actual results could differ from these estimates. These estimates are reviewed on an annual and quarterly basis. Changes in estimates are recorded in the financial period in which such adjustments are determined.

#### **Financial instruments**

The Corporation applies the requirements of the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3861 with respect to the presentation and disclosure of financial instruments.

#### **Short-term investments**

Short-term investments comprise Canadian dollar, government, government-guaranteed and bank fixed-income securities, and are designated as available for sale and measured at fair value. Realized investment income, including realized gains or losses and amortization of purchase premiums and discounts are recognized in the Consolidated Statement of Operations. Unrealized gains or losses from changes in fair value are recorded in the Consolidated Statement of Changes in Net Assets until the financial asset is sold or impaired at which time the amounts would be reclassified to the Consolidated Statement of Operations. Fair value is determined at quoted market prices. Sales and purchases of short-term investments are recorded on the trade date. Transaction costs related to the acquisition of short-term investments are added to the carrying value of investments.

#### **Other financial instruments**

Other financial instruments comprise cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to their expected short-term settlement. The Corporation considers all liquid investments with maturities of three months or less when acquired to be cash equivalents. The Corporation believes it is not exposed to significant interest rate, currency or credit risks arising from these financial instruments. The Corporation does not enter into derivative financial instrument arrangements for hedging or speculative purposes.

## Notes to Consolidated Financial Statements (continued)

Year ended May 31, 2011 (in thousands, unless otherwise stated)

### 3. ACCOUNTING STANDARDS WITH FUTURE IMPLEMENTATION DATE

In 2010, the CICA finalized a new accounting framework for Canadian not-for-profit organizations (“NFPOs”) that provides a choice between two optional bases of financial reporting standards.

Effective for the annual reporting period that commences on or after January 1, 2012, NFPOs will choose between International Financial Reporting Standards and Canadian accounting standards for not-for-profit organizations, included in a new section of the CICA Handbook for NFPOs (Part III). The proposal for Part III would incorporate the existing 4400 series of the Handbook recommendations for NFPOs, certain additional standards and amendments as well as the new Canadian standards for private enterprises to the extent they would apply to NFPOs. Early adoption of these standards is permitted. The Corporation currently plans to adopt the new Canadian accounting standards for not-for-profit organizations for its fiscal year beginning June 1, 2012 and has not yet determined the effect of adoption on its consolidated financial statements.

### 4. CAPITAL ASSETS

	Cost	Accumulated Depreciation	Net book value 2011	Net book value 2010
Land	\$ 621	-	621	621
Building	5,023	2,440	2,583	2,715
Furniture and fixtures	1,218	1,032	186	172
Computer and other equipment	1,849	1,301	548	673
Software	799	556	243	197
	-			
	<u>\$ 9,510</u>	<u>5,329</u>	<u>4,181</u>	<u>4,378</u>

### 5. COMMITMENTS

The approximate future minimum payments for operating lease obligations are as follows:

2012.....	\$200
2013.....	\$96
2014.....	\$22

## Notes to Consolidated Financial Statements (continued)

*Year ended May 31, 2011 (in thousands, unless otherwise stated)*

### **6. OBJECTIVES, POLICIES AND PROCESSES FOR MANAGING CAPITAL**

The Corporation defines its capital as the unrestricted amounts included in its net assets. The Corporation's objectives in managing its capital are to provide sufficient liquidity to fund its operations and to safeguard its ability to continue to operate as a going concern in providing programs and services consistent with its objectives (note 1).

Management develops annual budgets that are submitted to the Board of Directors for review and approval. The budgets are developed to ensure the Corporation has the proper cash flow to fund its operations and capital expenditures. Management compares actual results to these budgets and reports these results to the Board of Directors on a quarterly basis.

Although there are no externally imposed capital requirements, the Corporation maintains an internally restricted Research Fund whose purpose is to support future research projects that are central to The Conference Board of Canada's mission and the public interests it serves. The Board of Directors approves all projects supported by the fund. Similarly, allocation to the fund is approved by the Board of Directors and is 100% of the excess of revenues over expenses for the year, after setting aside an amount to provide an appropriate level of unrestricted net assets in support of The Corporation's future operations.

Contributions to the fund since its inception total \$2,909. In the fiscal year 2011, \$20 (FY2010—\$152) of the fund was used to initiate two research initiatives which will carry on in fiscal year 2012. The fund balance at May 31, 2011 is \$2,119 (2010 —\$1,386).