

The Conference Board of Canada

Consolidated financial statements
May 31, 2019



Management's responsibility for financial reporting

The consolidated financial statements have been prepared by management in accordance with accounting standards for not-for-profit organizations. 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 judgments. 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** [the "Corporation"] 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.

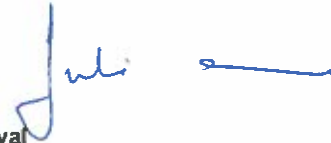
Through its Finance and Audit Committee, the Board of Directors [the "Board"] of the Corporation is responsible for reviewing and approving the consolidated financial statements and ensures management fulfills its responsibilities for financial reporting.

The Finance and Audit Committee is appointed by the Board and is composed of directors who are not employees of the Corporation. The Finance and 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 Finance and 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 Finance and 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 Ernst & Young LLP, the external auditors, in accordance with Canadian auditing standards. Ernst & Young LLP has full and free access to the Finance and Audit Committee.



Susan Black
President and Chief Executive Officer



Julie Duval
Chief Financial Officer

November 8, 2019

Independent auditor's report

To the Members of
The Conference Board of Canada

Opinion

We have audited the consolidated financial statements of The Conference Board of Canada [the "Corporation"], which comprise the consolidated statement of financial position as at May 31, 2019 and the consolidated statement of operations, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at May 31, 2019, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian accounting standards for not-for-profit Corporations, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 these consolidated 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 consolidated 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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

Ottawa, Canada
November 8, 2019

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



The Conference Board of Canada

Consolidated statement of financial position

[expressed in thousands of dollars]

As at May 31

	2019	2018
	\$	\$
Assets		
Current		
Cash	2,042	3,990
Accounts receivable	3,411	4,971
Investments, at fair value <i>[note 3]</i>	8,555	8,663
Prepaid expenses	391	396
Total current assets	14,399	18,020
Tangible capital and intangible assets, net <i>[note 4]</i>	4,370	4,845
	18,769	22,865
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[note 5]</i>	3,323	4,646
Deferred revenue <i>[note 6]</i>	7,440	8,671
Total current liabilities	10,763	13,317
Net assets		
Unrestricted	7,862	9,395
Restricted research fund <i>[note 8]</i>	144	153
Total net assets	8,006	9,548
	18,769	22,865
Commitments <i>[note 7]</i>		

See accompanying notes

On behalf of the Board:

Director

Director

The Conference Board of Canada

Consolidated statement of operations
[expressed in thousands of dollars]

Year ended May 31

	2019	2018
	\$	\$
Revenue		
Research	9,361	7,958
Convening	7,365	9,246
Education	4,852	6,155
International	5,246	6,100
Publications	6,286	6,487
Gross revenue	33,110	35,946
Interest and other income	660	494
	<u>33,770</u>	<u>36,440</u>
Expenses		
Direct and indirect programs	23,452	28,159
Corporate	8,921	7,289
Depreciation and amortization	964	1,057
	<u>33,337</u>	<u>36,505</u>
Excess of revenues over expenses, before restructuring and research expenses	433	(65)
Restructuring <i>[note 5]</i>	1,966	1,024
Deficiency of revenues over expenses before research expenses	(1,533)	(1,089)
Research expenses <i>[note 8]</i>	9	134
Deficiency of revenues over expenses for the year	<u>(1,542)</u>	<u>(1,223)</u>

See accompanying notes

The Conference Board of Canada

Consolidated statement of changes in net assets

[expressed in thousands of dollars]

Year ended May 31

	Unrestricted	Research Fund	Total 2019	Total 2018
	<i>[note 8]</i>			
	\$	\$	\$	\$
Net assets, beginning of year	9,395	153	9,548	10,771
Deficiency of revenues over expenses for the year	(1,533)	(9)	(1,542)	(1,223)
Net assets, end of year	7,862	144	8,006	9,548

See accompanying notes

The Conference Board of Canada

Consolidated statement of cash flows

[expressed in thousands of dollars]

Year ended May 31

	2019	2018
	\$	\$
Operating activities		
Deficiency of revenues over expenses for the year	(1,542)	(1,223)
Add (deduct) items not involving cash		
Unrealized gain (loss) on investments	(194)	(34)
Depreciation and amortization	964	1,057
	(772)	(200)
Net change in non-cash working capital balances related to operations	(1,019)	42
Cash used in operating activities	(1,791)	(158)
Investing activities		
Net sale of investments	302	874
Purchase of tangible capital and intangible assets	(459)	(668)
Cash provided by (used in) investing activities	(157)	206
Net increase (decrease) in cash during the year	(1,948)	48
Cash, beginning of year	3,990	3,942
Cash, end of year	2,042	3,990

See accompanying notes

The Conference Board of Canada

Notes to consolidated financial statements

[expressed in thousands of dollars]

May 31, 2019

1. Incorporation and objectives

The Conference Board of Canada [the "Corporation"] is incorporated under the name AERIC Inc. and under the *Canada Not-for-profit Corporations Act*. It is a corporation without share capital and qualifies for tax-exempt status as a registered charity under paragraph 149(1)(f) of the *Income Tax Act* (Canada). An annual license 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 as follows:

- [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; and
- [d] To contribute to the educational and professional training of executives, and in general to encourage and promote the sound development of Canadian industries.

2. Summary of significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the *CPA Canada Handbook – Accounting*.

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 organization, which provides executive leadership development courses. The proportionate consolidation method is used to account for the Corporation's 50 percent interest in the joint ventures, The Directors College and L'Institut du Québec. All significant intercompany transactions and balances are eliminated upon consolidation.

Revenue recognition

The Corporation follows the deferral method of accounting for contributions.

Research and international project revenue is recognized based on the estimated percentage of work completed, which is measured based on costs incurred.

Revenue is recognized for fee-paid services including conferences and education based on when the related service is provided. Network memberships are prorated over the life of the membership based on the number of meetings per year.

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[expressed in thousands of dollars]

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Publication subscriptions are prorated over the life of the subscription period.

Convening line of business comprises conferences and networks.

Billings for research, convening, education, international and publications in excess of revenue recognized are recorded as deferred revenue.

Investment income, which is recorded on the accrual basis, includes interest income, dividend income, realized gains or losses on sale of investments and change in unrealized gains or losses on investments.

Tangible capital and intangible assets

Tangible capital and intangible assets are recorded at cost. Depreciation is calculated using the straight-line method. The estimated useful lives of the assets are as follows:

Tangible capital assets

Building	40 years
Building improvements	5 to 20 years
Furniture and equipment	5 years
Computer servers	6 years
Computer hardware	3 years

Intangible assets

Software	2 years
System technology	5 years

The development costs of the internally generated system technology directly attributable to the project and having future economic benefits have been capitalized as incurred, and amortization will commence in the period that the asset becomes operational.

When a tangible capital asset or an intangible asset no longer contributes to the Corporation's ability to provide services, its carrying amount is written down to its residual value.

Provisions

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past event, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated statement of operations.

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Notes to consolidated financial statements

[expressed in thousands of dollars]

May 31, 2019

Use of estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of tangible capital and intangible assets and obligations related to employee future benefits. Actual results could differ from those estimates.

Financial instruments

Cash and investments are measured at fair value. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. Changes in fair value are recognized in the consolidated statement of operations.

The Corporation records accounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

Cash

Cash consists of cash on deposit for operating purposes. Cash and investments meeting the definition of cash and cash equivalents that are held for investing rather than operating purposes are classified as investments.

3. Investments

	2019		2018	
	Fair value \$	Cost \$	Fair value \$	Cost \$
Cash and guaranteed investment certificates	1,897	1,896	2,404	2,401
Canadian equities	813	722	719	651
Foreign equities	1,926	1,549	1,796	1,531
Bonds	3,919	3,886	3,744	3,756
	8,555	8,053	8,663	8,339

The Corporation manages its investment portfolio according to a Statement of Investment Policy, which has established target asset mixes, approved by the Board.

The bonds bear a yield to maturity from 0.5% to 6.63% [2018 - 0.5% to 6.4%] maturing between June 2020 and April 2078 [2018– May 2019 – 2077].

The guaranteed investment certificates yield interest to maturity from 2.25% to 3.4% [2018– 2.15% to 3.4%] maturing between June 2019 and May 2024 [2018– April 2019 – May 2023].

Notes to consolidated financial statements

[expressed in thousands of dollars]

May 31, 2019

Market risk

Market risk comprises interest rate risk, price risk and foreign currency risk.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the investments. As the Corporation's interest-bearing investments do not generate significant amounts of interest, changes in market interest rates do not have a significant direct effect on the Corporation's income.

Price risk

Price risk arises as a result of trading equity securities and bonds. Fluctuation in the price risk exposes the Corporation to a risk of loss. The Corporation mitigates this risk through controls to monitor and limit concentration levels.

Foreign currency risk

Foreign currency risk arises from gains and losses due to fluctuation in foreign currency exchange rates on the Corporation's foreign equity securities. As the Corporation's foreign equity securities are not significant, changes in foreign currency rates do not have a significant effect on the Corporation's results.

Liquidity risk

Liquidity risk arises as a result of not being able to meet the cash requirements in a timely and cost effective manner. The Corporation matches the timing of investment maturities to projected cash outflows and, as such, liquidity does not present a significant financial risk to the Corporation.

4. Tangible capital and intangible assets

	2019		2018	
	Cost \$	Accumulated depreciation \$	Net book value \$	Net book value \$
Tangible capital assets				
Land	621	—	621	621
Building	4,240	3,071	1,169	1,275
Building improvements	799	488	311	243
Furniture and equipment	658	595	63	143
Computer servers	635	596	39	121
Computer hardware	1,030	880	150	281
	7,983	5,630	2,353	2,684
Intangible assets				
Software	75	75	—	—
System technology	3,038	1,021	2,017	2,161
	3,113	1,096	2,017	2,161
	11,096	6,726	4,370	4,845

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Notes to consolidated financial statements

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May 31, 2019

5. Restructuring

In the last two years, the Corporation has put in place a restructuring program in order to realign the business. The restructuring program was completed at the end of May 31, 2019.

The balance of the restructuring provision is \$688 for 2019 [2018– \$1,021] and is included in Accounts payable and accrued liabilities.

6. Deferred revenue

	2019 \$	2018 \$
Research	2,212	1,632
Convening	1,313	2,393
Education	345	457
International	1,069	1,523
Publications	2,501	2,666
	<u>7,440</u>	<u>8,671</u>

7. Commitments

The approximate future minimum payments for operating lease obligations related to buildings and office equipment are as follows:

	\$
2020	167
2021	141
2022	64
2023	<u>10</u>

8. Research fund

Although there are no externally imposed capital requirements, the Corporation maintains an internally restricted Research Fund, the purpose of which is to support future research projects that are central to the Corporation's mission and the public interests it serves. The Board approves all projects supported by the Research Fund. No amount was allocated to this fund in 2019 and in 2018. In addition, \$9 [2018 – \$134] of the Fund was used to initiate research initiatives. The Fund balance as at May 31, 2019 is \$144 [2018 – \$153].

9. Comparative information

Certain 2018 comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.