

The Conference Board of Canada

Consolidated financial statements
May 31, 2018



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
Acting Vice-President and Chief Financial Officer

September 27, 2018

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, 2018, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and 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 accounting standards for not-for-profit organizations, 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 the auditors' judgement, 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, the auditors 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 financial position of **The Conference Board of Canada** as at May 31, 2018 and its results of operations, changes in net assets and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on other legal requirements

As required by the *Canada Not-for-profit Corporations Act*, we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis prescribed by the law.

Ottawa, Canada
September 27, 2018

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



A member firm of Ernst & Young Global Limited

The Conference Board of Canada

Consolidated statement of financial position

As at May 31
(thousands of dollars)

	2018	2017
	\$	\$
Assets		
Current		
Cash	3,990	3,942
Accounts receivable	4,971	4,712
Investments, at fair value (note 3)	8,663	9,502
Prepaid expenses	396	638
Total current assets	<u>18,020</u>	<u>18,794</u>
Tangible capital and intangible assets, net (note 4)	<u>4,845</u>	<u>5,139</u>
	<u>22,865</u>	<u>23,933</u>
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	4,646	5,008
Deferred revenue (note 5)	8,671	8,154
Total current liabilities	<u>13,317</u>	<u>13,162</u>
Net assets		
Unrestricted	9,395	10,484
Restricted research fund (note 7)	153	287
Total net assets	<u>9,548</u>	<u>10,771</u>
	<u>22,865</u>	<u>23,933</u>
Commitments (note 6)		

See accompanying notes

On behalf of the Board:

Director

Director

The Conference Board of Canada

Consolidated statement of operations

Year ended May 31
(thousands of dollars)

	2018	2017
	\$	\$
Revenue		
Research	7,958	8,093
Convening	9,246	9,441
Education	6,155	6,567
International	6,100	7,259
Publications	6,487	6,743
Gross revenue	<u>35,946</u>	<u>38,103</u>
Interest and other income	494	517
	<u>36,440</u>	<u>38,620</u>
Expenses		
Direct and indirect programs	28,534	31,028
Corporate	7,938	7,511
Depreciation and amortization	1,057	812
	<u>37,529</u>	<u>39,351</u>
Deficiency of revenues over expenses before research expenses	(1,089)	(731)
Research expenses (note 7)	134	387
Deficiency of revenues over expenses for the year	<u>(1,223)</u>	<u>(1,118)</u>

See accompanying notes

The Conference Board of Canada

Consolidated statement of changes in net assets

Year ended May 31
(thousands of dollars)

	Unrestricted	Restricted Research Fund (note 7)	Total 2018	Total 2017
	\$	\$	\$	\$
Net assets, beginning of year	10,484	287	10,771	11,889
Deficiency of revenues over expenses for the year	(1,089)	(134)	(1,223)	(1,118)
Net assets, end of year	9,395	153	9,548	10,771

See accompanying notes

The Conference Board of Canada

Consolidated statement of cash flows

Year ended May 31
(thousands of dollars)

	2018	2017
	\$	\$
Operating activities		
Deficiency of revenues over expenses for the year	(1,223)	(1,118)
Add (deduct) items not involving cash		
Unrealized gain on investments	(34)	(152)
Depreciation and amortization	1,057	812
	(200)	(458)
Net change in non-cash working capital balances related to operations	42	(246)
Cash used in operating activities	(158)	(704)
Investing activities		
Net sale of investments	874	250
Purchase of tangible capital and intangible assets	(668)	(1,698)
Cash provided by (used in) investing activities	206	(1,448)
Net increase (decrease) in cash during the year	48	(2,152)
Cash, beginning of year	3,942	6,094
Cash, end of year	3,990	3,942

See accompanying notes

The Conference Board of Canada

Notes to consolidated financial statements

May 31, 2018

(in thousands of dollars)

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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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.

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.

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Notes to consolidated financial statements

May 31, 2018
(in thousands of dollars)

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

	2018		2017	
	Fair value \$	Cost \$	Fair value \$	Cost \$
Cash and guaranteed investment certificates	2,404	2,401	2,630	2,620
Canadian equities	719	651	690	639
Foreign equities	1,796	1,531	1,729	1,487
Bonds	3,744	3,756	4,453	4,446
	8,663	8,339	9,502	9,192

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 6.4% (2017 – 1.25% to 6.40%) maturing between May 2019 and May 2077 (2017 – December 2018 and December 2048).

The guaranteed investment certificates yield interest to maturity of 2.15% to 3.4% (2017 – 1.35% to 2.06%) maturing April 2019 and May 2023 (2017 – August 2017 and October 2017).

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.

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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

	2018		2017	
	Cost	Accumulated depreciation	Net book value	Net book value
	\$	\$	\$	\$
Tangible capital assets				
Land	621	—	621	621
Building	4,240	2,965	1,275	1,381
Building improvements	675	432	243	279
Furniture and equipment	662	519	143	209
Computer servers	635	514	121	220
Computer hardware	987	706	281	319
	7,820	5,136	2,684	3,029
Intangible assets				
Software	75	75	—	9
System technology	2,711	550	2,161	2,101
	2,786	625	2,161	2,110
	10,606	5,761	4,845	5,139

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5. Deferred revenue

	2018 \$	2017 \$
Research	1,632	1,135
Convening	2,393	2,289
Education	457	669
International	1,523	1,361
Publications	2,666	2,700
	<u>8,671</u>	<u>8,154</u>

6. Commitments

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

2018	\$231
2019	\$158
2020	\$129
2021	\$63
2022	\$10

7. 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 2018 and in 2017. In addition, \$134 (2017 – \$387) of the Fund was used to initiate research initiatives. The Fund balance as at May 31, 2018 is \$153 (2017 – \$287).

8. Comparative information

Certain 2017 comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.