Consolidated financial statements

The Conference Board of Canada

May 31, 2017

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.

Daniel F. Muzyka
President and Chief Executive Officer

Joanne Mortimore
Vice-President and Chief Financial Officer

October 3, 2017

Independent auditors' report

To the Member 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, 2017, 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, 2017 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.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Canada
October 3, 2017

The Conference Board of Canada

Consolidated statement of financial position

As at May 31
(thousands of dollars)

	2017	2016
	$	$
Assets		
Current		
Cash	**3,942**	6,094
Accounts receivable	**4,712**	6,531
Investments, at fair value *[note 3]*	**9,502**	9,601
Prepaid expenses	**638**	509
Total current assets	**18,794**	22,735
Tangible capital and intangible assets, net *[note 4]*	**5,139**	4,061
	23,933	26,796
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	**5,008**	4,288
Deferred revenue *[note 5]*	**8,154**	10,619
Total current liabilities	**13,162**	14,907
Net assets		
Unrestricted	**10,484**	11,215
Restricted research fund *[note 7]*	**287**	674
Total net assets	**10,771**	11,889
	23,933	26,796

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)

	2017	2016
	$	$
Revenue		
Research	**8,093**	10,037
Convening	**9,441**	9,783
Education	**6,567**	8,295
International	**7,259**	5,905
Publications	**6,743**	6,506
Gross revenue	**38,103**	40,526
Interest and other income	**517**	221
	38,620	40,747
Expenses		
Direct and indirect programs	**31,028**	32,925
Corporate	**7,511**	6,732
Depreciation and amortization	**812**	762
	39,351	40,419
Excess (deficiency) of revenues over expenses before research expenses	**(731)**	328
Research expenses *[note 7]*	**387**	398
Deficiency of revenues over expenses for the year	**(1,118)**	(70)

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	Total 2016
	$	$	$	$
Net assets, beginning of year	**11,215**	**674**	**11,889**	11,959
Deficiency of revenues over expenses for the year	**(731)**	**(387)**	**(1,118)**	(70)
Net assets, end of year	**10,484**	**287**	**10,771**	11,889

See accompanying notes

The Conference Board of Canada

Consolidated statement of cash flows

Year ended May 31
(thousands of dollars)

	2017	2016
	$	$
Operating activities		
Deficiency of revenues over expenses for the year	**(1,118)**	(70)
Add (deduct) items not involving cash		
Unrealized gain on investments	**(152)**	(56)
Depreciation and amortization	**812**	762
	(458)	636
Net change in non-cash working capital balances related to operations	**(246)**	2,256
Cash provided by (used in) operating activities	**(704)**	2,892
Investing activities		
Net sale (purchase) of investments	**250**	(174)
Purchase of tangible capital and intangible assets	**(1,698)**	(509)
Cash used in investing activities	**(1,448)**	(683)
Net increase (decrease) in cash during the year	**(2,152)**	2,209
Cash, beginning of year	**6,094**	3,885
Cash, end of year	**3,942**	6,094

See accompanying notes

Notes to consolidated financial statements

May 31, 2017

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.

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.

Notes to consolidated financial statements

May 31, 2017

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.

3. Investments

	2017		2016	
	Fair value $	Cost $	Fair value $	Cost $
Cash and guaranteed investment certificates	**2,630**	**2,620**	4,777	4,713
Canadian equities	**1,294**	**1,169**	1,546	1,520
Foreign equities	**1,125**	**996**	973	958
Bonds	**4,453**	**4,446**	2,305	2,285
	9,502	**9,231**	9,601	9,476

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 1.25% to 6.40% [2016 – 1.33% to 6.50%] maturing between December 2018 and December 2048 [2016 – July 2017 and December 2106].

The guaranteed investment certificates yield interest to maturity of 1.35% to 2.06% [2016 – 0.95% to 2.00%] maturing August 2017 and October 2017 [2016 – June 2016 and August 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.

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.

Notes to consolidated financial statements

May 31, 2017

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

	2017			2016
	Cost $	Accumulated depreciation $	Net book value $	Net book value $
Tangible capital assets				
Land	**621**	**-**	**621**	621
Building	**4,240**	**2,859**	**1,381**	1,496
Building improvements	**646**	**367**	**279**	312
Furniture and equipment	**669**	**460**	**209**	337
Computer servers	**632**	**412**	**220**	326
Computer hardware	**800**	**481**	**319**	395
	7,608	**4,579**	**3,029**	3,487
Intangible assets				
Software	**75**	**66**	**9**	47
System technology	**2,225**	**124**	**2,101**	527
	2,300	**190**	**2,110**	574
	9,908	**4,769**	**5,139**	4,061

Notes to consolidated financial statements

May 31, 2017

5. Deferred revenue

	2017	2016
	$	$
Research	**1,135**	1,183
Convening	**2,289**	2,490
Education	**669**	754
International	**1,361**	3,633
Publications	**2,700**	2,559
	8,154	10,619

6. Commitments

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

2018 .... $275
2019 .... $231
2020 .... $158
2021 .... $129
2022 .... $63

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 2017 and in 2016. In addition, $387 [2016 – $398] of the Fund was used to initiate research initiatives. The Fund balance as at May 31, 2017 is $287 [2016 – $674].

8. Comparative information

Certain 2016 comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.