

CANADIAN FOUNDATION FOR ECONOMIC EDUCATION

FINANCIAL STATEMENTS

MARCH 31, 2006

AUDITORS' REPORT

To the Members, Canadian Foundation for Economic Education:

We have audited the balance sheet of the Canadian Foundation for Economic Education as at March 31, 2006 and the statements of changes in net assets, revenue and expenditure and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Canadian Foundation for Economic Education as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Watson Folkins Corey LLP
Licensed Public Accountants

Ottawa, Ontario
May 25, 2006

CANADIAN FOUNDATION FOR ECONOMIC EDUCATION

BALANCE SHEET AS AT MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
CURRENT ASSETS		
Cash	\$ 392,996	\$ 386,466
Accounts receivable	119,159	311,317
Prepaid expenses	<u>1,290</u>	<u>23,678</u>
	513,445	721,461
CAPITAL ASSETS (note 3)		
	<u>27,433</u>	<u>3,393</u>
	<u>\$ 540,878</u>	<u>\$ 724,854</u>
CURRENT LIABILITIES		
Bank indebtedness (note 4)	\$ 9,448	\$ 119,448
Accounts payable	<u>97,315</u>	<u>201,352</u>
	<u>106,763</u>	<u>320,800</u>
DEFERRED CONTRIBUTIONS		
Related to operations (note 5)	18,109	-
Related to capital assets (note 6)	<u>25,495</u>	<u>-</u>
	<u>43,604</u>	<u>-</u>
NET ASSETS		
Invested in capital assets	1,938	3,393
Unrestricted	<u>388,573</u>	<u>400,661</u>
	<u>390,511</u>	<u>404,054</u>
	<u>\$ 540,878</u>	<u>\$ 724,854</u>

Approved on behalf of the Board:

Director

Director

CANADIAN FOUNDATION FOR ECONOMIC EDUCATION

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
NET ASSETS INVESTED IN CAPITAL ASSETS		
Balance - beginning of period	\$ 3,393	\$ 3,245
Purchase of capital assets	35,766	4,847
Amortization	(11,726)	(4,699)
Deferred contributions related to capital assets	(35,766)	-
Amortization of deferred contributions related to capital assets	<u>10,271</u>	<u>-</u>
Balance - end of period	<u>\$ 1,938</u>	<u>\$ 3,393</u>
 UNRESTRICTED NET ASSETS		
Balance - beginning of period	\$ 400,661	\$ 546,026
Excess of expenditure over revenue for the year	(13,543)	(145,217)
Purchase of capital assets	(35,766)	(4,847)
Amortization	11,726	4,699
Deferred contributions related to capital assets	35,766	-
Amortization of deferred contributions related to capital assets	<u>(10,271)</u>	<u>-</u>
Balance - end of period	<u>\$ 388,573</u>	<u>\$ 400,661</u>

CANADIAN FOUNDATION FOR ECONOMIC EDUCATION

STATEMENT OF REVENUE AND EXPENDITURE FOR THE YEAR ENDED MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
REVENUE		
Non-government grants, services and donations	\$ 282,096	\$ 571,703
Government contributions	1,137,406	659,674
Educational programs	2,801	8,820
Interest and miscellaneous	34,384	11,815
Amortization of deferred contributions related to capital assets	<u>10,272</u>	<u>-</u>
	<u>1,466,959</u>	<u>1,252,012</u>
EXPENDITURE		
Program services		
Government projects	1,149,180	680,851
Support services		
General program development, implementation and administration	<u>331,322</u>	<u>716,378</u>
	<u>1,480,502</u>	<u>1,397,229</u>
EXCESS OF EXPENDITURE OVER REVENUE FOR THE YEAR	<u>\$ (13,543)</u>	<u>\$ (145,217)</u>

CANADIAN FOUNDATION FOR ECONOMIC EDUCATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Excess of expenditure over revenue for the year	\$ (13,543)	\$ (145,217)
Amortization	11,726	4,699
Increase (reduction) in deferred contributions	18,109	(75,000)
Amortization of deferred contributions related to capital assets	(10,271)	-
Net change in non-cash working capital		
Accounts receivable	192,158	(49,659)
Prepaid expenses	22,388	(16,654)
Accounts payable	<u>(104,037)</u>	<u>(78,823)</u>
	<u>116,530</u>	<u>(360,654)</u>
INVESTING ACTIVITIES		
Purchase of capital assets	<u>(35,766)</u>	<u>(4,847)</u>
FINANCING ACTIVITIES		
Increase (decrease) in bank indebtedness	(110,000)	100,100
Deferred contributions related to capital assets	<u>35,766</u>	<u>-</u>
	<u>(74,234)</u>	<u>100,100</u>
NET INCREASE (DECREASE) IN CASH	6,530	(265,401)
Cash - beginning of year	<u>386,466</u>	<u>651,867</u>
CASH - END OF YEAR	<u>\$ 392,996</u>	<u>\$ 386,466</u>

CANADIAN FOUNDATION FOR ECONOMIC EDUCATION

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2006

1. PURPOSE OF THE ORGANIZATION

The purpose of the Foundation is to increase the extent to which Canadians assume their economic roles, and make economic decisions, with competence and confidence.

The Foundation was incorporated as a not-for-profit organization in 1974 under the Canada Corporations Act and is a registered charity under the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Estimates and assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount 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 reporting period. Actual results may differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

b) Depreciation is provided on the straight line basis as follows:

Furniture and equipment	20%
Computer equipment and software	30 %

c) Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

d) Contributed goods and services

Contributions received in the form of materials and services are recorded at fair value at the date of contribution when the fair value can be reasonably estimated and when the materials and services are used in the normal course of operations.

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NOTES TO FINANCIAL STATEMENTS MARCH 31, 2006

3. CAPITAL ASSETS	2006			2005
	Cost	Accumulated Amortization	Net	Net
Furniture and equipment	\$ 25,950	\$ 22,284	\$ 3,666	\$ 1
Computer equipment and software	37,630	13,863	23,767	3,392
	<u>\$ 98,484</u>	<u>\$ 80,121</u>	<u>\$ 27,433</u>	<u>\$ 3,393</u>

4. BANK INDEBTEDNESS

The Foundation has utilized \$9,448 (2005 - \$119,448) of a \$200,000 line of credit, with interest at prime plus 1.5%. All of the Foundation's assets have been pledged as collateral.

5. DEFERRED CONTRIBUTIONS

Deferred contributions represent project funding received in the current period which was unspent and is being carried forward to the subsequent period.

6. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Capital asset contributions from HRSDC have been deferred and are being amortized to revenue over the same period as the related capital assets.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash, accounts receivable, bank indebtedness and accounts payable approximates their fair value because of the relatively short period to maturity of the instruments. Management is of the opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from the above financial instruments.

8. COMMITMENTS

The Foundation is committed to the leases of office facilities and equipment approximately as follows:

2006-07	\$ 82,700
2007-08	92,100
2008-09	92,100
2009-10	92,100
2010-11	80,300

The Foundation has committed to providing annual David Dodge economics scholarships over the next four years. Each year \$3,000 will be donated to Queen's University and \$3,000 to the University of British Columbia. These scholarships will be funded from future revenues.

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9. RELATED PARTY TRANSACTIONS

Payments for professional services of \$123,081 (2005 - \$96,300) were made to companies controlled by the President of CFEE.