

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)  
AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

---

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)**  
**TABLE OF CONTENTS**  
**AS AT DECEMBER 31, 2011**

---

**TABLE OF CONTENTS**

Audit Report	1
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Schedule 1 - Revenue Comparative	13
Schedule 2 - Program Analysis	13
Schedule 3 - Human Resource Analysis	14

# ROBERT MONTGOMERY, C.A.

---

## **INDEPENDENT AUDITOR'S REPORT**

To the Members of Initiatives of Change Association (Canada)

I have audited the accompanying financial statements of Initiatives of Change Association (Canada), which comprise the statement of financial position as at December 31, 2011, statement of operations, statement of net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, I consider internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization'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 financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### ***Auditor's Opinion***

## ROBERT MONTGOMERY, C.A.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting standards for not-for-profit organizations.

### ***Emphasis of Matter***

Without qualifying my opinion, I draw attention to Note 2 of the financial statements which indicates that the Association has incurred a substantial decrease in net assets over the past two years. Continued operations are dependent upon increasing net assets by means of increased revenues or contributed assets. This is a material uncertainty that casts considerable doubt on the Association's ability to continue as a

Chartered Accountant  
Licensed Public Accountant

April 23, 2012

**INDEPENDENT AUDITOR'S REPORT (continued)**

***Auditor's Opinion***

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally-accepted accounting standards for not-for-profit organizations.

***Emphasis of Matter***

Without qualifying my opinion, I draw attention to Note 2 of the financial statements which indicates that the Association has incurred a substantial decrease in net assets over the past two years. Continued operations are dependent upon increasing net assets by means of increased revenues or contributed assets. This is a material uncertainty that casts considerable doubt on the Association's ability to continue as a going concern.

Chartered Accountant  
Licensed Public Accountant

May 8, 2012

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2011**

	<u>2011</u> \$	<u>2010</u> \$ (Note 9)	<u>2009</u> \$ (Note 10)
<b>ASSETS</b>			
<b><i>Current Assets</i></b>			
Cash	54 555	160 184	64 963
Investments	177 230	279 254	577 862
Amounts receivable	1 318	23 740	7 574
HST receivable	11 463	3 024	-
Prepaid expenses	2 348	-	
Asset available for sale (Note 4)	195 500	215 000	295 000
Inventory	11 214	12 504	12 142
	<u>453 628</u>	<u>693 706</u>	<u>957 541</u>
Property and equipment (Note 5)	2 962	8 745	21 765
	<u>456 590</u>	<u>702 451</u>	<u>979 306</u>
<b>LIABILITIES</b>			
<b><i>Current Liabilities</i></b>			
Accounts payable	12 354	12 687	16 654
Deferred revenue (Note 6)	135 194	131 147	-
	147 548	143 834	16 654
<b><i>Net assets (note 7)</i></b>	<u>309 042</u>	<u>558 617</u>	<u>962 652</u>
	<u>456 590</u>	<u>702 451</u>	<u>979 306</u>

Subsequent event (note 4)  
Lease commitment (note 8)

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>2011</u>	<u>2010</u>
	\$	\$
		(Note 8)
<b>Revenues</b>		
Royalties	123 351	88 948
Contributions (Schedule 1)	43 650	56 799
Memorials and legacies (Schedule 1)	34 526	121 922
Programs (Schedule 2)	23 232	40 593
MRA Productions	23 875	7 613
Lawson Fund (Note 6)	13 164	5 125
Investment	9 780	12 909
Harvey Fund (Note 6)	7 789	5 000
MRA Books	118	1 401
	<u>279 485</u>	<u>340 310</u>
<b>Expenses</b>		
Programs (Schedule 2)	214 436	345 048
Human resources (Schedule 3)	127 249	107 108
General and administrative	57 235	40 292
Occupancy	42 182	34 522
MRA Productions	40 612	5 679
Lawson Fund (Note 6)	13 164	5 125
Professional fees	12 522	15 372
Harvey Fund (Note 6)	7 789	5 000
MRA Books	4 041	1 356
	<u>519 230</u>	<u>559 502</u>
	(239 745)	(219 192)
<b>Other income</b>		
Gain on disposal of investments	8 670	30 270
Gain on disposal of equipment	1 000	4 786
GST recovery	-	10 533
	<u>-</u>	<u>10 533</u>
<b>Excess of revenues over expenses</b>	<u>(230 075)</u>	<u>(173 603)</u>

The accompanying notes are an integral part of the financial statements.

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>2011</u>	<u>2010</u>
	\$	\$
Balance, beginning of year	558 617	962 652
Excess of revenue over expenditures	(230 075)	(173 603)
Contributed assets	(19 500)	(80 000)
Fund transfer	<u>-</u>	<u>(150 432)</u>
Balance, end of year (Note 7)	<u><u>309 042</u></u>	<u><u>558 617</u></u>



**INITIATIVES OF CHANGE ASSOCIATION (CANADA)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>2011</u>	<u>2010</u>
	\$	\$
Cash flows from operating activities		
Excess of revenue over expenditures	(230 075)	(173 603)
Amortization	5 783	889
Gain on disposal of investments	(8 670)	(30 270)
Gain on disposal of equipment	<u>(1 000)</u>	<u>(4 786)</u>
	(233 962)	(207 770)
Net change to non-cash working capital items related to:		
Amounts receivable	13 983	(19 190)
Prepaid expenses	(2 348)	-
Inventory	1 290	(362)
Accounts payable	(651)	(3 967)
Deferred revenue	<u>4 345</u>	<u>131 147</u>
	<u>(217 343)</u>	<u>(100 142)</u>
Cash flows used for investing activities		
Proceeds from sale of investments	110 714	178 446
Proceeds from sale of equipment	<u>1 000</u>	<u>16 917</u>
	<u>111 714</u>	<u>195 363</u>
Increase (decrease) in cash flow	(105 629)	95 221
Opening cash balance	<u>160 184</u>	<u>64 963</u>
Closing cash balance	<u><u>54 555</u></u>	<u><u>160 184</u></u>

The accompanying notes are an integral part of the financial statements.

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

---

***1. Nature of Operations***

Initiatives of Change Association (Canada) (the "Association") was incorporated under the Canada Corporations Act and registered as a charity under the Income Tax Act on May 10, 1944.

The purpose of the Association is the moral and spiritual renewal of individuals and society. Its starting point is the readiness to make real in one's own life the changes one would like to see in the world. A commitment to search God's will in daily life forms the basis for creative initiative and common action. Absolute moral standards of honesty, purity, unselfishness and love to help people focus the challenge of personal and global change.

***2. Going Concern***

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations that apply to a going concern. Under the going concern assumption, an organization is viewed as being able to continue its operations in the foreseeable future and realize its assets and discharge its liabilities in the normal course of operations.

The net assets of the Association have decreased substantially in the past two years. There are sufficient net assets to fund less than one year of operations at the current level of expenditure.

The Association's continued operations will be dependant upon generating an increase in net assets by means of increased revenues or contributed assets.

***3. Significant Accounting Policies***

The financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

The significant policies are detailed as follows.

***Fund accounting***

The Association follows the deferral method of accounting for contributions.

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

---

***3. Significant Accounting Policies (continued)***

The Operating Fund reflects the financial activity of day-to-day operations.

The Harvey Fund was established, according to the terms of a bequest, 'for Action for Life and other youth program(s)'.

The Lawson Fund, according to the terms of a bequest, is to be used to support and further the work of Initiatives of Change in Caux, Switzerland.

The Westerman Fund was established for the development of the work of the Association in Southern Ontario.

The Challenge Fund was established with the intent of helping young people in Toronto.

*Revenue Recognition*

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount received can be reasonably estimated and collection is reasonably assured. Contributions include donations, memorials and legacies.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Royalty income is recognized when received. Revenue from the sale of books and DVDs are recognized when the product is shipped or picked-up.

*Inventory*

Inventory is valued at the lower of cost and current replacement cost.

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

---

**3. Significant Accounting Policies (continued)**

*Investments*

Investments are classified as held for trading and recorded at fair value at each balance sheet date. Any change in fair value is recognized in the statement of operations in the period during which the change occurs. The Association utilizes settlement date accounting for all purchases and sales of financial assets in its investment portfolio. Valuations of publicly traded securities are based on their closing market prices or market information provided by an independent investment and wealth management firm.

*Property and Equipment*

Purchased property and equipment is recorded at cost. Contributed property and equipment is recorded at fair market value at the date of contribution. Amortization is provided on a straight-line basis over the assets estimated useful life as follows:

Furniture and equipment	Straight-line	15%
Leasehold improvements	Straight-line	15%

*Volunteer Services*

Volunteers contribute many hours per year to assist the Association in carrying out its service delivery activities. Due to the difficulty of determining their fair market value, contributed services are not recognized in the financial statements.

*Use of Estimates*

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles require 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 amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

*Income Taxes*

The Association is a non-profit organization and is exempt from income tax under the provisions of Section 149 (1) (L) of the Income Tax Act. Accordingly, no income tax provision has been made.

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**4. Asset Available For Sale**

The Association sold this asset on March 23, 2012. The value of the asset at December 31, 2011 represents the selling price.

**5. Property and Equipment**

	<u>Cost</u>	2011 <u>Acc. Amort.</u>	<u>NBV</u>	2010 <u>NBV</u>
Leasehold improvements	6 802	3 912	2 890	5 782
Furniture and equipment	95 674	95 603	71	2 963
	<u>102 476</u>	<u>99 515</u>	<u>2 961</u>	<u>8 745</u>

**6. Deferred Revenue**

The Association follows the deferral method of accounting. As such the following deferred revenue amounts will not be recorded as income until a corresponding expense is incurred.

	<u>2011</u>	<u>2010</u>
Harvey Fund	30 576	38 216
Lawson Fund	51 242	64 257
Westerman Fund	28 674	28 674
Challenge Fund	<u>25 000</u>	<u>-</u>
	<u>135 492</u>	<u>131 147</u>

The Association has neither credited nor charged the investment funds with any income or expenses.

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)**  
**NOTES TO AUDITED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

---

**7. Internally Restricted Fund Balances**

Net assets include the following amounts which have been internally-restricted by the Executive Council.

	<u>2011</u>	<u>2010</u>
Training and development	40 991	53 437
Health and emergency	392	392
Quebec fund	<u>-</u>	<u>7 711</u>
	<u>41 383</u>	<u>61 540</u>

The Training and Development fund was established to facilitate training and development opportunities for Canadians in the ideas and approaches of the Association.

The Health and Emergency fund was established to help cover health and emergency expenses not otherwise covered by a provincial or group health insurance plan.

The Quebec fund was established to help finance the Quebec activities of the Association.

**8. Lease Commitment**

The Association has entered into an operating lease for the rental of its Ottawa National Office. This lease expires on December 31, 2013. Future minimum lease payments over the next two years are:

	\$
2012	26 700
2013	26 700

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)**  
**NOTES TO AUDITED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

---

***9. Financial Instruments***

The Association's financial instruments are composed of cash, accounts receivable, investments and accrued liabilities. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying value, unless otherwise noted.

***10. Comparative Figures***

Certain comparative figures have been restated to conform with the current year's presentation.

***11. Transition to New Accounting Standards***

The Canadian Institute of Chartered Accountants have updated the accounting standards for not-for-profit organizations. The Association was not required to make any adjustments to its financial statements as a result of the adoption of the new accounting standards.

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)**  
**SCHEDULE 1 - REVENUE COMPARATIVE**  
**SCHEDULE 2 - PROGRAM ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**Schedule 1**

	<u>2011</u>	2010
	\$	\$
<b>Contributions</b>		
Fieldworkers	26 675	31 502
Challenge	25 000	-
General	16 571	25 297
On-line	404	-
	<u>68 650</u>	<u>56 799</u>
Restricted	<u>25 000</u>	-
Unrestricted	<u><u>43 650</u></u>	<u><u>56 799</u></u>
<b>Memorials and Legacies</b>		
Legacy	29 491	118 511
Memorial	5 035	3 411
	<u><u>34 526</u></u>	<u><u>121 922</u></u>

**Schedule 2**

	<u>Revenues</u>	<u>Expenses</u>
	\$	\$
<b>Programs</b>		
Bridge building	7 891	22 188
International developments	6 300	18 748
Team development	5 975	12 881
Program resource development	1 916	1 472
Training and development	1 150	9 830
	<u><u>23 232</u></u>	<u><u>65 119</u></u>

Program expenses include no human resource costs.



**INITIATIVES OF CHANGE ASSOCIATION (CANADA)**  
**SCHEDULE 3 - HUMAN RESOURCE ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

---

	<u>2011</u>	<u>2010</u>
	\$	\$
Fieldworkers	109 641	102 500
Managing director	64 058	52 448
Directors and coordinators	46 107	128 201
Benefits and casual labour	30 863	24 017
Administrator	25 897	12 743
	<hr/>	<hr/>
	276 566	319 909
	<hr/> <hr/>	<hr/> <hr/>