

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2013**

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
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DECEMBER 31, 2013

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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, 2013, 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.

INDEPENDENT AUDITOR'S REPORT (continued)

Basis for Qualified Opinion

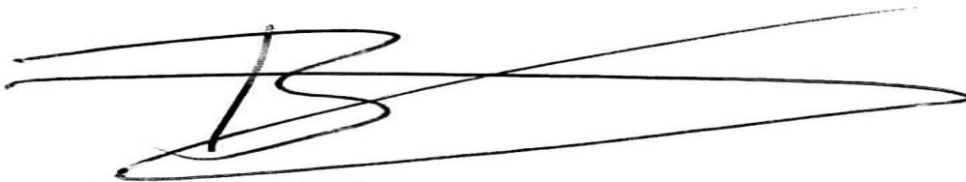
I was unable to observe the physical inventory of the Association at December 31, 2013. As such, I was unable to determine any adjustments that may have been necessary in respect of the excess of expenditures over revenues reported in the statement of operations and the net cash flows from operating activities reported in the statement of cash flows.

Qualified Opinion

In my opinion, except for the possible effects as described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Initiatives of Change Association (Canada) as at December 31, 2013 and its financial performance and cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Emphasis of Matter

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



Chartered Professional Accountant
Licensed Public Accountant

April 17, 2014

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
AUDITED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
	\$	\$
ASSETS		
<i>Current Assets</i>		
Cash	42,000	95,516
Investments	306,225	250,200
Amounts receivable	-	1,959
HST receivable	4,523	17,172
Prepaid expenses	455	2,750
Deferred expenses	-	10,591
Inventory	9,115	9,205
	<u>362,318</u>	<u>387,393</u>
Capital assets (Note 4)	<u>1,584</u>	<u>-</u>
	<u>363,902</u>	<u>387,393</u>
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable	11,970	7,115
Deferred revenue (Note 5)	130,386	139,744
	<u>142,356</u>	<u>146,859</u>
<i>Net assets (note 6)</i>	<u>221,546</u>	<u>240,534</u>
	<u>363,902</u>	<u>387,393</u>

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
AUDITED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
	\$	\$
Revenues		
Royalties	74,767	93,918
Programs (Schedule 2)	35,360	56,468
Memorials and legacies (Schedule 1)	25,700	1,048
Contributions (Schedule 1)	23,191	140,058
Investment	6,840	4,365
MRA Productions	5,627	4,565
Harvey Fund (Note 5)	3,208	1,386
Lawson Fund (Note 5)	2,000	2,440
	<u>176,693</u>	<u>304,248</u>
Expenses		
Programs (Schedule 2)	104,545	199,258
General and administrative	40,350	33,520
Occupancy	26,552	36,521
MRA Productions	15,753	2,414
Human resources	10,128	82,068
Professional fees	9,037	10,271
	<u>206,365</u>	<u>364,052</u>
	(29,672)	(59,804)
Other income (expenses)		
Gain on disposal of investments	10,473	2,369
Gain on disposal of equipment	211	312
Real estate commission	-	(11,385)
	<u>(18,988)</u>	<u>(68,508)</u>
Excess of expenses over revenues	<u>(18,988)</u>	<u>(68,508)</u>

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

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
AUDITED STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
	\$	\$
Balance, beginning of year	240,534	309,042
Excess of expenditures over revenue	(18,988)	(68,508)
Contributed assets	<u> </u>	<u> </u> -
Balance, end of year (Note 6)	<u>221,546</u>	<u>240,534</u>

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
AUDITED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
	\$	\$
Cash flows from operating activities		
Excess of expenditures over revenues	(18,988)	(68,508)
Amortization	3,180	3,170
Gain on disposal of investments	(10,473)	(2,369)
Gain on disposal of equipment	(211)	(312)
	<u>(26,492)</u>	<u>(68,019)</u>
Net change to non-cash working capital items related to:		
Amounts receivable	1,959	(641)
HST receivable	12,649	(5,709)
Prepaid expenses	2,295	(402)
Deferred expenses	10,591	(10,591)
Inventory	90	2,009
Accounts payable	4,855	(5,239)
Deferred revenue	(9,358)	4,561
	<u>(3,411)</u>	<u>(84,031)</u>
Cash flows used for investing activities		
Purchases of investments	(45,130)	(70,820)
Purchases of (net proceeds from) equipment	(4,975)	312
Proceeds from sale of real estate	-	195,500
	<u>(50,105)</u>	<u>124,992</u>
Increase (decrease) in cash flow	(53,516)	40,961
Opening cash balance	<u>95,516</u>	<u>54,555</u>
Closing cash balance	<u>42,000</u>	<u>95,516</u>

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

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)
NOTES TO AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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 four years. While the Association has undertaken drastic measures to reduce expenditures, there was another excess of expenses over revenues this year.

The Association's continued operations will be dependant upon generating an increase in unrestricted 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 AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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 supporting the Association activities with a particular, but not exclusive, emphasis on young people, mainly 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 AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2013

4. Property and Equipment

	<u>Cost</u>	2013 <u>Acc. Amort.</u>	<u>NBV</u>	2012 <u>NBV</u>
Furniture and equipment	<u>1,769</u>	185	<u>1,584</u>	<u>-</u>

5. 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>2013</u>	<u>2012</u>
Lawson Fund	46,953	48,953
Harvey Fund	25,833	29,041
Westerman Fund	25,174	25,174
Challenge Fund	<u>24,197</u>	<u>24,197</u>
	122,157	127,365
General Fund	<u>8,229</u>	<u>12,379</u>
	<u>130,386</u>	<u>139,744</u>

The Association has neither credited nor charged the restricted funds with any income or expenses, other than expenses directly related to the fund's original intent.

All assets of the restricted funds have been placed within the cash and investment accounts of the general fund.

The Association appealed to its members and supporters during the year for additional funds. The deferred revenue amount represents funds received with the purpose of funding future operations.

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
NOTES TO AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2013

6. Internally Restricted Fund Balances

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

	<u>2013</u>	<u>2012</u>
Quebec fund	3,396	6,047
Health and emergency	<u>392</u>	<u>392</u>
	<u>3,788</u>	<u>6,439</u>

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.

7. Lease Commitment

The Association has entered into an operating lease for the rental of its Ottawa National Office. This lease expires on October 14, 2016. Future minimum lease payments over the next three years are:

	\$
2014	9,960
2015	9,960
2016	7,885

8. 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.

FOR THE YEAR ENDED DECEMBER 31, 2013
INITIATIVES OF CHANGE ASSOCIATION (CANADA)
SCHEDULE 1 – REVENUE
COMPARATIVE SCHEDULE 2 - PROGRAM ANALYSIS

Schedule 1 - Revenue Comparative

	<u>2013</u>	2012
	\$	\$
Contributions		
General	20,715	137,453
On-line	2,476	1,840
Fieldworkers	-	765
	<u>23,191</u>	<u>140,058</u>
Donations allocated to programs	30,343	16,086
	<u>53,534</u>	<u>156,144</u>
Memorials and Legacies		
Legacy	25,600	1,000
Memorial	100	48
	<u>25,700</u>	<u>1,048</u>

Schedule 2 - Program Analysis

	<u>Revenues</u>	<u>Expenses</u>
	\$	\$
Programs		
Farmers Dialogue	10,000	10,000
Citizen Project	8,795	19,541
Caux	7,522	13,345
Agenda for Reconciliation	7,000	4,215
Bridge building	4,272	7,242
Archive development project	1,435	186
Team development	1,014	1,540
Other international programs	-	3,391
South Sudanese Diaspora Workshop	(4,678)	1,384
	<u>35,360</u>	<u>60,844</u>

Program expenses as shown above include no human resource costs. For financial statement purposes, the program expense amount also includes human resources costs allocated to providing the programs.

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
SCHEDULE 3 - HUMAN RESOURCE ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
	\$	\$
Directors and coordinators	44,580	35,780
Administrator	7,128	25,420
Benefits and casual labour	3,500	25,678
Fieldworkers	-	72,518
Managing director	-	<u>53,286</u>
	<u>55,208</u>	<u><u>212,682</u></u>

The above amounts have been allocated between programs and human resources for financial statement presentation purposes.

As at December 31, 2013, the Association employed one coordinator and one administrator.