

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2010**

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2010**

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ROBERT MONTGOMERY, C.A.

AUDIT 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, 2010, 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 is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted 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.

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.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2010, 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.

Licensed Public Accountant

May 9, 2011

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**INITIATIVES OF CHANGE ASSOCIATION (CANADA)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2010**

	Harvey \$	Lawson \$	Westerman \$	General \$	2010 \$	2009 \$
ASSETS						
Current Assets						
Cash	-	-	-	160,184	160,184	64,963
Investments	38,216	64,257	28,674	148,107	279,254	577,862
Amounts receivable	-	-	-	26,764	26,764	7,574
Asset available for sale	-	-	-	215,000	215,000	295,000
Inventory	-	-	-	12,504	12,504	12,142
	<u>38,216</u>	<u>64,257</u>	<u>28,674</u>	<u>562,559</u>	<u>693,706</u>	<u>957,541</u>
Property and equipment	-	-	-	8,745	8,745	21,765
	<u>38,216</u>	<u>64,257</u>	<u>28,674</u>	<u>571,304</u>	<u>702,451</u>	<u>979,306</u>
LIABILITIES						
Current Liabilities						
Accounts payable	-	-	-	12,687	12,687	16,654
Deferred revenue	38,216	64,257	28,674	-	131,147	-
	<u>38,216</u>	<u>64,257</u>	<u>28,674</u>	<u>12,687</u>	<u>143,834</u>	<u>16,654</u>
Net assets (note 4)						
	-	-	-	558,617	558,617	962,652
	<u>38,216</u>	<u>64,257</u>	<u>28,674</u>	<u>571,304</u>	<u>702,451</u>	<u>979,306</u>

Approved by the Council of Management

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

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Harvey \$	Lawson \$	Westerman \$	General \$	2010 \$	2009 \$
Revenues						
Legacies	-	-	-	121,922	121,922	433,174
Royalties	-	-	-	88,948	88,948	62,796
Special projects	5,000	5,125	-	30,468	40,593	10,160
General	-	-	-	35,547	35,547	50,506
Field workers	-	-	-	31,502	31,502	39,259
Investment	-	-	-	12,909	12,909	13,889
MRA Productions	-	-	-	7,528	7,528	11,744
MRA Books	-	-	-	1,361	1,361	620
	<u>5,000</u>	<u>5,125</u>	<u>-</u>	<u>330,185</u>	<u>340,310</u>	<u>622,148</u>
Expenses						
Projects	5,000	-	-	291,287	296,287	209,800
Compensation	-	-	-	107,108	107,108	72,002
Conferences and travel	-	5,125	-	53,760	58,885	48,132
Office	-	-	-	39,892	39,892	42,757
Occupancy	-	-	-	34,034	34,034	26,280
Professional fees	-	-	-	15,372	15,372	31,285
MRA Productions	-	-	-	5,679	5,679	10,190
MRA Books	-	-	-	1,356	1,356	191
Amortization	-	-	-	889	889	10,986
	<u>5,000</u>	<u>5,125</u>	<u>-</u>	<u>549,377</u>	<u>559,502</u>	<u>451,623</u>
Other income (expense)						
Gain on disposal of investments	-	-	-	(219,192)	(219,192)	170,525
GST recovery (write-off)	-	-	-	30,270	30,270	56,134
Gain on disposal of equipment	-	-	-	10,533	10,533	(24,372)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,786</u>	<u>4,786</u>	<u>-</u>
Excess of revenues over expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(173,603)</u>	<u>(173,603)</u>	<u>202,287</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, 2010**

	<u>Harvey</u>	<u>Lawson</u>	<u>Westerman</u>	<u>Operating</u>	<u>2010</u>	<u>2009</u>
	\$	\$	\$	\$	\$	\$
Balance, beginning of year	-	-	-	962,652	962,652	1,049,956
Excess of revenue over expenditures	-	-	-	(173,603)	(173,603)	202,287
Contributed assets	-	-	-	(80,000)	(80,000)	(114,591)
Fund transfer	-	-	-	(150,432)	(150,432)	(175,000)
Balance, end of year	-	-	-	558,617	558,617	962,652

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

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)
STATEMENT OF AUDITED CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Harvey \$	Lawson \$	Westerman \$	General \$	2010 \$	2009 \$
Cash flows from operating activities						
Excess of revenue over expenditures	-	-	-	(173,603)	(173,603)	202,287
Amortization	-	-	-	889	889	10,986
Gain on disposal of investments	-	-	-	(30,270)	(30,270)	(56,134)
Gain on disposal of equipment	-	-	-	(4,786)	(4,786)	-
	38,216	64,257	28,674	-	131,147	(31,912)
	38,216	64,257	28,674	(207,770)	(207,770)	157,139
Net change to non-cash working capital items related to:						
Amounts receivable	-	-	-	(19,190)	(19,190)	17,983
Inventory	-	-	-	(362)	(362)	(374)
Accounts payable	-	-	-	(3,967)	(3,967)	(31,259)
Deferred revenue	-	-	28,674	-	131,147	(31,912)
	38,216	64,257	28,674	(231,289)	(100,142)	111,577
Cash flows used for investing activities						
Proceeds from sale (purchase) of investments	(38,216)	(64,257)	(28,674)	309,593	178,446	(147,092)
Proceeds from sale (purchase) of equipment	-	-	-	16,917	16,917	(9,297)
	(38,216)	(64,257)	(28,674)	326,510	195,363	(156,389)
Increase (decrease) in cash flow	-	-	-	95,221	95,221	(44,812)
Opening cash balance	-	-	-	64,963	64,963	109,775
Closing cash balance	-	-	-	160,184	160,184	64,963

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

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)
NOTES TO AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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. Significant Accounting Policies

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

The significant policies are detailed as follows.

Fund accounting

The Association follows the deferral method of accounting for contributions.

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.

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)
NOTES TO AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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.

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.

Inventory

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

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:

Automotive	Straight-line 25%
Furniture and equipment	Straight-line 15%
Leasehold improvements	Straight-line 15%

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)
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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.

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.

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, 2010**

3. Property and Equipment

	<u>Cost</u>	2010 <u>Acc. Amort.</u>	<u>NBV</u>	2009 <u>NBV</u>
Leasehold improvements	6,802	2,380	5,782	5,782
Furniture and equipment	120,137	117,174	2,963	3,983
Automotive	-	-	-	12,000
	126,939	119,554	8,745	21,765

4. Internally Restricted Fund Balances

	<u>2010</u>	<u>2009</u>
Training and development	53,437	65,437
Health and emergency	392	392
Quebec fund	7,711	35,736
	61,540	101,565

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

5. Comparative Figures

Certain prior year amounts have been reclassified to conform with the current year financial statement presentation.