

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2012**

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
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DECEMBER 31, 2012

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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, 2012, 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.

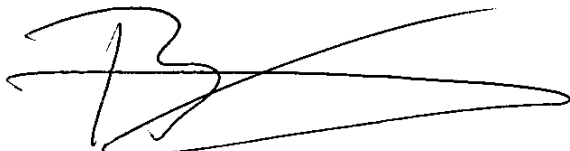
INDEPENDENT AUDITOR'S REPORT (continued)

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, 2012, 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 the Association has incurred a substantial decrease in unrestricted net assets over the past 3 years. At the year-end, restricted funds accounted for 61% of net assets. 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 Accountant
Licensed Public Accountant

March 14, 2013

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
AUDITED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
	\$	\$
ASSETS		
<i>Current Assets</i>		
Cash	95,516	54,555
Investments	250,200	177,230
Amounts receivable	1,959	1,318
HST receivable	17,172	11,463
Prepaid expenses	2,750	2,348
Deferred expenses	10,591	-
Asset available for sale (Note 4)	-	195,500
Inventory	9,205	11,214
	<u>387,393</u>	<u>453,628</u>
Property and equipment (Note 5)	<u>-</u>	<u>2,962</u>
	<u><u>387,393</u></u>	<u><u>456,590</u></u>
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable	7,115	12,354
Deferred revenue (Note 6)	139,744	135,194
	<u>146,859</u>	<u>147,548</u>
<i>Net assets (note 7)</i>	<u>240,534</u>	<u>309,042</u>
	<u><u>387,393</u></u>	<u><u>456,590</u></u>

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

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
AUDITED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
	\$	\$
Revenues		
Contributions (Schedule 1)	140,058	43,650
Royalties	93,918	123,351
Programs (Schedule 2)	56,468	23,232
MRA Productions	4,565	23,875
Investment	4,365	9,780
Lawson Fund (Note 6)	2,440	13,164
Harvey Fund (Note 6)	1,386	7,789
Memorials and legacies (Schedule 1)	1,048	34,526
MRA Books	-	118
	<u>304,248</u>	<u>279,485</u>
Expenses		
Programs (Schedule 2)	195,432	214,436
Human resources	82,068	127,249
General and administrative	33,520	57,235
Occupancy	36,521	42,182
Professional fees	10,271	12,522
Lawson Fund (Note 6)	2,440	13,164
MRA Productions	2,414	40,612
Harvey Fund (Note 6)	1,386	7,789
MRA Books	-	4,041
	<u>364,052</u>	<u>519,230</u>
	(59,804)	(239,745)
Other income (expenses)		
Gain on disposal of investments	2,369	8,670
Gain on disposal of equipment	312	1,000
Real estate commission	<u>(11,385)</u>	<u>-</u>
Excess of expenses over revenues	<u>(68,508)</u>	<u>(230,075)</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, 2012

	<u>2012</u> \$	<u>2011</u> \$
Balance, beginning of year	309,042	558,617
Excess of expenditures over revenue	(68,508)	(230,075)
Contributed assets	<u>-</u>	<u>(19,500)</u>
Balance, end of year (Note 7)	<u>240,534</u>	<u>309,042</u>

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

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
AUDITED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
	\$	\$
Cash flows from operating activities		
Excess of expenditures over revenues	(68,508)	(230,075)
Amortization	3,170	5,783
Gain on disposal of investments	(2,369)	(8,670)
Gain on disposal of equipment	<u>(312)</u>	<u>(1,000)</u>
	(68,019)	(233,962)
Net change to non-cash working capital items related to:		
Amounts receivable	(641)	22,422
HST receivable	(5,709)	(8,439)
Prepaid expenses	(402)	(2,348)
Deferred expenses	(10,591)	-
Inventory	2,009	1,290
Accounts payable	(5,239)	(651)
Deferred revenue	<u>4,561</u>	<u>4,345</u>
	<u>(84,031)</u>	<u>(217,343)</u>
Cash flows used for investing activities		
Net proceeds from investments	(70,820)	110,714
Net proceeds from equipment	312	1,000
Proceeds from sale of real estate	<u>195,500</u>	<u>-</u>
	<u>124,992</u>	<u>111,714</u>
Increase (decrease) in cash flow	40,961	(105,629)
Opening cash balance	<u>54,555</u>	<u>160,184</u>
Closing cash balance	<u><u>95,516</u></u>	<u><u>54,555</u></u>

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

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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 three years. While the Association has undertaken drastic measures to reduce expenditures, there was a significant excess of expenses over revenues, again, this year. In addition, restricted funds now account for 61% of net assets.

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 FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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 FINANCIAL STATEMENTS
DECEMBER 31, 2012

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, 2012

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>	2012 <u>Acc. Amort.</u>	<u>NBV</u>	2011 <u>NBV</u>
Leasehold improvements	6,802	6,802	-	2,890
Furniture and equipment	96,082	96,082	-	72
	<u>102,884</u>	<u>102,884</u>	-	<u>2,962</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>2012</u>	<u>2011</u>
Lawson Fund	48,953	51,093
Harvey Fund	29,041	30,427
Westerman Fund	25,174	28,674
Challenge Fund	<u>24,197</u>	<u>25,000</u>
	127,365	135,194
General Fund	<u>12,379</u>	<u>-</u>
	<u>139,744</u>	<u>135,194</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, 2012**

7. Internally Restricted Fund Balances

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

	<u>2012</u>	<u>2011</u>
Quebec fund	6,047	-
Health and emergency	392	392
Training and development	<u>-</u>	<u>40,991</u>
	<u>6,439</u>	<u>41,383</u>

The Training and Development fund was established to facilitate training and development opportunities for Canadians in the ideas and approaches of the Association. This fund was transferred back to general operations during the year.

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 year is:

	\$
2013	26,700

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.

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
SCHEDULE 1 - REVENUE COMPARATIVE
SCHEDULE 2 - PROGRAM ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012

Schedule 1 - Revenue Comparative

	<u>2012</u>	2011
	\$	\$
Contributions		
General	137,453	16,571
On-line	1,840	404
Fieldworkers	765	26,675
Challenge	<u>-</u>	<u>25,000</u>
	140,058	68,650
Restricted	<u>-</u>	<u>25,000</u>
Unrestricted	<u><u>140,058</u></u>	<u><u>43,650</u></u>
Memorials and Legacies		
Legacy	1,000	29,491
Memorial	<u>48</u>	<u>5,035</u>
	<u><u>1,048</u></u>	<u><u>34,526</u></u>

Schedule 2 - Program Analysis

	<u>Revenues</u>	<u>Expenses</u>
	\$	\$
Programs		
Citizen Project	37,431	27,546
Farmers Dialogue	10,000	10,000
Bridge building	7,165	5,076
Archive development project	1,517	1,661
International programs	245	4,403
Team development	<u>110</u>	<u>3,286</u>
	<u><u>56,468</u></u>	<u><u>51,972</u></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, 2012

	<u>2012</u>	<u>2011</u>
	\$	\$
Fieldworkers	72,518	113,169
Managing director	53,286	69,460
Directors and coordinators	35,780	49,333
Benefits and casual labour	25,678	38,583
Administrator	25,420	27,336
	<hr/>	<hr/>
	212,682	297,881
	<hr/> <hr/>	<hr/> <hr/>

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

During the year, the position of Managing Director and all remaining fieldworker positions were eliminated. As at December 31, 2012, the Association employed one coordinator and one administrator.