

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
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DECEMBER 31, 2018

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ROBERT MONTGOMERY, C.P.A.

INDEPENDENT AUDITOR'S REPORT

To the Members of Initiatives of Change Association (Canada)

Opinion

I have audited the financial statements of Initiatives of Change Association (Canada) (the Association), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements of the Association are prepared, in all material respects, in accordance with Canadian generally-accepted accounting standards for not-for-profit organizations.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Association in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

On-going Association activities are dependant on continued support of the Association's volunteers.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally-accepted accounting standards for not-for-profit organizations, and for such internal control that management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

ROBERT MONTGOMERY, C.P.A.

INDEPENDENT AUDITOR'S REPORT (continued)

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.

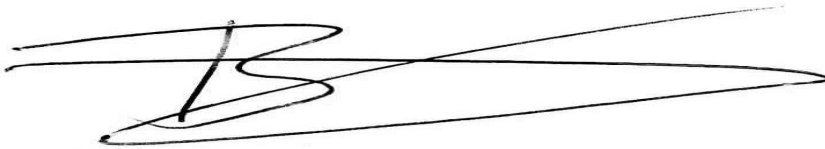
Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

ROBERT MONTGOMERY, C.P.A.

INDEPENDENT AUDITOR'S REPORT (continued)

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If I conclude that a material uncertainty exists, I will be required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

A handwritten signature in black ink, appearing to be 'R. Montgomery', written over a faint horizontal line.

Robert Montgomery, CPA
Licensed Public Accountant

Ottawa, Ontario

May 9, 2019

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
AUDITED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
ASSETS		
<i>Current Assets</i>		
Cash	8,352	10,791
Investments	159,813	173,614
Amounts receivable	328	4,912
HST receivable	1,507	3,833
Prepaid expenses	3,316	3,167
Inventory	<u>2,381</u>	<u>1,900</u>
	175,697	198,217
Capital assets (Note 4)	<u>176</u>	<u>440</u>
	<u><u>175,873</u></u>	<u><u>198,657</u></u>
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable	9,955	9,594
Deferred revenue (Note 5)	<u>4,074</u>	<u>3,235</u>
	14,029	12,829
<i>Deferred revenue</i> (Note 5)	<u>63,511</u>	<u>94,997</u>
	77,540	107,826
<i>Net assets (note 6)</i>	<u>98,333</u>	<u>90,831</u>
	<u><u>175,873</u></u>	<u><u>198,657</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, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
Revenues		
General contributions (Schedule 1)	62,904	72,993
Royalties	34,381	51,831
Challenge Fund	23,646	-
Memorials and legacies (Schedule 1)	10,519	-
Program contributions (Schedule 2)	5,900	11,869
Lawson Fund (Note 5)	5,497	-
Investment	5,150	6,848
Westerman Fund (Note 5)	3,917	4,625
Harvey Fund (Note 5)	2,500	3,835
General and administrative	205	2,857
	<u>154,619</u>	<u>154,858</u>
Expenses		
Programs (Schedule 2)	70,211	126,343
General and administrative	32,191	36,857
Human resources	18,055	31,208
Occupancy	17,166	18,155
Professional fees	6,385	13,664
	<u>144,008</u>	<u>226,227</u>
	10,611	(71,369)
Other income		
Change in FMV of investments	(937)	16,598
(Loss) gain on disposal of investments	(2,172)	560
	<u>7,502</u>	<u>(54,211)</u>
Excess of revenues over expenses	<u><u>7,502</u></u>	<u><u>(54,211)</u></u>

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
AUDITED STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
Balance, beginning of year	90,831	145,042
Excess of revenue over expenditures	<u>7,502</u>	<u>(54,211)</u>
Balance, end of year (Note 6)	<u><u>98,333</u></u>	<u><u>90,831</u></u>

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
AUDITED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
Cash flows from operating activities		
Excess of expenditures over revenues	7,502	(54,211)
Amortization	264	264
Increase in FMV of investments	<u>(937)</u>	<u>16,598</u>
	6,829	(37,349)
Net change to non-cash working capital items related to:		
Amounts receivable	4,584	7,009
HST receivable	2,326	(1,748)
Prepaid expenses	(149)	430
Inventory	(481)	-
Accounts payable	361	(1,691)
Deferred revenue	<u>(30,647)</u>	<u>(8,460)</u>
	(17,177)	(41,809)
Net proceeds from disposals of investments	<u>14,738</u>	<u>40,259</u>
Decrease in cash flow	(2,439)	(1,550)
Opening cash balance	<u>10,791</u>	<u>12,341</u>
Closing cash balance	<u><u>8,352</u></u>	<u><u>10,791</u></u>

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)
NOTES TO AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 amended purpose of the Association, as approved by Corporations Canada July 2016, is to foster healing and reconciliation by providing workshops, seminars, and other training activities to the public about the principles of the worldwide Initiatives of Change movement, as described in the Preamble of the Articles of Initiatives of Change International. Initiatives of Change places the search for inner wisdom at the heart of its approach which emphasizes 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 Association is currently operating with minimal revenues and expenses. Much of the Association's activities are dependent on the efforts of volunteers. In addition, reserve funds comprise a significant component of the Association's net assets. These funds can only be used for the specific purpose for which the trust was created.

Continued operations will be dependent on the continued efforts of volunteers.

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, 2018**

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.

The Myanmar Project recognizes deferred donation revenue received for the purpose of facilitating dialogue among Myanmar's different ethnic groups in light of the current crisis affecting the Rohingya people in Rakhine State, and which will be expended in fiscal 2019.

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, 2018

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%
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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.

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 registered charity and is exempt from income tax. Accordingly, no provision for income tax is required.

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
NOTES TO AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2018

4. Property and Equipment

	<u>Cost</u>	2018 <u>Acc. Amort.</u>	<u>NBV</u>	2017 <u>NBV</u>
Furniture and equipment	1,760	1,584	176	440

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>2018</u>	<u>2017</u>
Lawson Fund	33,727	39,224
Westerman Fund	14,213	18,130
Harvey Fund	11,497	13,997
Challenge Fund	-	23,646
	59,437	94,997
Myanmar Project and Other	4,074	3,225
	<u>63,511</u>	<u>98,222</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.

During the year, the administrator for the Challenge Fund agreed to release all restrictions on the use of this money. Consequently, these funds have been recorded as revenue for the year.

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)
NOTES TO AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

6. Internally Restricted Fund Balances

Net assets include the following amounts which have been internally-restricted by the Board of Directors.

	<u>2018</u>	<u>2017</u>
Health and emergency	392	392
Quebec projects	3,040	3,505
Archive development project	<u>4,034</u>	<u>1,870</u>
	<u>7,466</u>	<u>5,767</u>

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

The Quebec projects amount represents contributions received in order to support the Quebec activities of the Association.

The archive development project amount represents contributions received to help finance the archive development project.

7. Lease Commitment

The Association has entered into an operating lease for the rental of its Ottawa National Office. This lease expires on October 31, 2019. Future minimum lease payments are:

	\$
2019	13,329

8. Financial Instruments

The Association's financial instruments are composed of cash, amounts 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, 2018

Schedule 1 - Revenue Comparative

	<u>2018</u>	<u>2017</u>
	\$	\$
Contributions		
General	58,932	75,931
On-line	<u>3,972</u>	<u>5,594</u>
	62,904	81,525
Donations allocated to programs	<u>5,900</u>	<u>11,797</u>
Total contributions	<u><u>68,804</u></u>	<u><u>93,322</u></u>
Memorials and Legacies		
Legacy	<u>10,519</u>	-
	<u><u>10,519</u></u>	<u><u>-</u></u>

Schedule 2 - Program Analysis

	<u>Revenues</u>	<u>Expenses</u>
	\$	\$
Programs		
Archive development project	3,000	836
International	2,500	7,011
Bridge building	400	8,205
Team development	<u> </u>	<u>5,658</u>
	<u><u>5,900</u></u>	<u><u>21,710</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, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
Program directors and coordinators	35,119	89,299
Administrators	15,206	28,198
Benefits and casual labour	<u>16,231</u>	<u>25,848</u>
	<u><u>66,556</u></u>	<u><u>143,345</u></u>

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

As at December 31, 2018, the Association employed one coordinator and one part-time administrator.