

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
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DECEMBER 31, 2019

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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, 2019, 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 on 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.

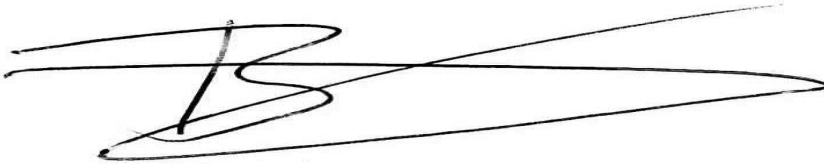
Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

Mar 19, 2020

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
AUDITED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
	\$	\$
		(note 10)
ASSETS		
<i>Current Assets</i>		
Cash	6,974	8,352
Investments	157,795	159,813
Amounts receivable	39	328
HST receivable	1,612	1,507
Prepaid expenses	1,348	3,316
Inventory	2,381	2,381
	<u>170,149</u>	<u>175,697</u>
Property and equipment (Note 4)	<u>1,056</u>	<u>176</u>
	<u><u>171,205</u></u>	<u><u>175,873</u></u>
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable and accrued liabilities	10,677	9,955
Deferred revenue (Note 5)	29,376	4,074
	<u>40,053</u>	<u>14,029</u>
<i>Deferred revenue</i> (Note 5)	<u>52,733</u>	<u>59,437</u>
	92,786	73,466
<i>Net assets (note 6)</i>	<u>78,419</u>	<u>102,407</u>
	<u><u>171,205</u></u>	<u><u>175,873</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, 2019

	<u>2019</u>	<u>2018</u>
	\$	\$
		(note 10)
Revenues		
Program contributions (Schedule 2)	61,446	5,900
General contributions (Schedule 1)	55,706	62,904
Royalties	26,093	34,381
Investment	4,328	5,150
Westerman Fund (Note 5)	4,204	3,917
Harvey Fund (Note 5)	2,500	2,500
General and administrative	511	205
Challenge Fund	-	23,646
Memorials and legacies (Schedule 1)	-	10,519
Lawson Fund (Note 5)	-	5,497
	<u>154,788</u>	<u>154,619</u>
Expenses		
Programs (Schedule 2) (note 8)	114,423	70,211
Human resources	26,703	18,055
General and administrative	21,824	28,128
Occupancy	15,413	17,166
Professional fees	12,901	6,385
	<u>191,264</u>	<u>139,945</u>
	(36,476)	14,674
Other income		
Change in FMV of investments	9,548	(937)
Gain (loss) on disposal of investments	2,940	(2,172)
	<u>(23,988)</u>	<u>11,565</u>
Excess of revenues over expenses	<u>(23,988)</u>	<u>11,565</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, 2019

	<u>2019</u>	<u>2018</u>
	\$	\$
		(note 10)
Balance, beginning of year	102,407	90,842
Excess of revenue over expenditures	<u>(23,988)</u>	<u>11,565</u>
Balance, end of year (Note 6)	<u><u>78,419</u></u>	<u><u>102,407</u></u>

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
AUDITED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
	\$	\$
		(note 10)
Cash flows from operating activities		
Excess of revenues over expenses	(23,988)	11,565
Amortization	1,156	264
Increase in FMV of investments	<u>(9,548)</u>	<u>(937)</u>
	(32,380)	10,892
Net change to non-cash working capital items related to:		
Amounts receivable	289	4,584
HST receivable	(105)	2,326
Prepaid expenses	1,968	(149)
Inventory	-	(481)
Accounts payable	722	361
Deferred revenue	<u>18,598</u>	<u>(34,710)</u>
	(10,908)	(17,177)
Purchase of capital assets	(1,424)	-
Net proceeds from investments	<u>10,954</u>	<u>14,738</u>
Decrease in cash flow	(1,378)	(2,439)
Opening cash balance	<u>8,352</u>	<u>10,791</u>
Closing cash balance	<u><u>6,974</u></u>	<u><u>8,352</u></u>

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)
NOTES TO AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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, 2019**

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 Trustbuilding Pilot Project relates to an agreement signed with Initiatives of Change (International) on August 31, 2019 to implement a pilot project to create safe spaces for honest conversation for people from different groups who are willing to face the issues feeding targeted divides in Quebec society.

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.

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, 2019

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, 2019

4. Property and Equipment

	<u>Cost</u>	2019 <u>Acc. Amort.</u>	<u>NBV</u>	2018 <u>NBV</u>
Property and equipment	3,796	2,740	1,056	176

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>2019</u>	<u>2018</u>
Trustbuilding Pilot Project	27,967	-
Myanmar Project	1,409	4,074
	<u>29,376</u>	<u>4,074</u>
Lawson Fund	33,727	33,727
Westerman Fund	10,009	14,213
Harvey Fund	8,997	11,497
	<u>52,733</u>	<u>59,437</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 operating fund.

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
NOTES TO AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2019

6. Internally Restricted Fund Balances

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

	<u>2019</u>	<u>2018</u>
Health and emergency	392	392
Quebec projects	194	3,040
Archive development project	<u>4,807</u>	<u>4,034</u>
	<u>5,393</u>	<u>7,466</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 a one-year agreement to lease an Ottawa office space. Future minimum lease payments are as follows:

	\$
2020	3,420

The Association also has an open-ended lease for office space in Montreal. Future minimum lease payments are as follows:

2020	2,976
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**INITIATIVES OF CHANGE ASSOCIATION (CANADA)
NOTES TO AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

8. *Archive Storage*

The Association has entered into an agreement with Saint-Paul University for the safe storage of its archive documents in perpetuity. The total cost to the Association will be \$15,000 in 5 equal payments of \$3,000 starting in fiscal 2019.

9. *Financial Instruments*

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

As part of the new Trustbuilding Pilot Project, the Association receives significant funding from IOC (International). The Association could be subject to currency risk if there are significant changes in the exchange rate during the reporting period.

10. *Correction of Error*

The 2018 financial statements overstated deferred revenue and understated the excess of revenues over expenses by \$4,074. This error has been corrected in the current year's comparative figures.

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
SCHEDULE 1 - REVENUE COMPARATIVE
SCHEDULE 2 - PROGRAM ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

Schedule 1 - Revenue Comparative

	<u>2019</u>	<u>2018</u>
	\$	\$
Contributions		
General	52,608	58,932
On-line	<u>3,098</u>	<u>3,972</u>
	55,706	62,904
Donations allocated to programs	<u>-</u>	<u>5,900</u>
Total contributions	<u><u>55,706</u></u>	<u><u>68,804</u></u>
Memorials and Legacies		
Legacy	<u>-</u>	<u>10,519</u>
	<u><u>-</u></u>	<u><u>10,519</u></u>

Schedule 2 - Program Analysis

	<u>Revenues</u>	<u>Expenses</u>
	\$	\$
Programs		
Trustbuilding - International (with human resource costs)	49,668	49,668
Trustbuilding - National	7,778	-
Archive development project	4,000	3,127
International	-	4,800
Bridge building	-	3,108
Team development	<u>-</u>	<u>625</u>
	61,446	61,328
Human resource cost allocated to programs other than Trustbuilding - International	<u>-</u>	<u>52,470</u>
	<u><u>61,446</u></u>	<u><u>114,423</u></u>

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
SCHEDULE 3 - HUMAN RESOURCE ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
	\$	\$
Coordinator, Project Manager and Communications Consultant	58,713	35,119
Administrators	16,572	15,206
Benefits and casual labour	16,284	16,231
	<u>91,569</u>	<u>66,556</u>

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

As at December 31, 2019, the Association employed one coordinator and two part-time administrators (transitioning to one part-time administrator) and one project manager and one project communications consultant specifically for the trustbuilding project.