

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2015**

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
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DECEMBER 31, 2015

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March 18, 2016

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, 2015, 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, 2015. 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, 2015 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 that indicates the Association has seen a significant decrease in revenues. It is dependent on the continued efforts of volunteers to operate. 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

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
AUDITED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
	\$	\$
ASSETS		
<i>Current Assets</i>		
Cash	15,625	21,693
Investments	289,539	348,510
Amounts receivable	6,858	3,150
HST receivable	11,070	7,923
Prepaid expenses	3,969	100
Inventory	<u>3,835</u>	<u>2,075</u>
	330,896	383,451
Capital assets (Note 4)	<u>968</u>	<u>1,232</u>
	<u><u>331,864</u></u>	<u><u>384,683</u></u>
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable	6,941	10,825
<i>Deferred revenue</i> (Note 5)	<u>108,606</u>	<u>120,157</u>
	115,547	130,982
<i>Net assets (note 6)</i>	<u>216,317</u>	<u>253,701</u>
	<u><u>331,864</u></u>	<u><u>384,683</u></u>

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
AUDITED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
	\$	\$
Revenues		
General contributions (Schedule 1)	60,689	53,900
Program contributions (Schedule 2)	20,538	18,042
Royalties	59,575	88,840
General and administrative (Schedule 3)	10,398	-
Investment	8,563	10,501
MRA Productions	8,420	27,249
Harvey Fund (Note 5)	6,000	2,000
Lawson Fund (Note 5)	5,000	-
Challenge Fund (Note 5)	551	-
Memorials and legacies (Schedule 1)	75	96
	<u>179,809</u>	<u>200,628</u>
Expenses		
Programs (Schedule 2)	115,207	90,390
Human resources	40,584	26,770
General and administrative	36,965	31,172
Occupancy	14,029	14,285
Professional fees	10,826	12,000
MRA Productions	8,900	25,853
	<u>226,511</u>	<u>200,470</u>
	(46,702)	158
Other income		
Increase in FMV of investments	1,041	31,997
Gain on disposal of investments	8,277	-
	<u>9,318</u>	<u>-</u>
Excess of revenues over expenses	<u><u>(37,384)</u></u>	<u><u>32,155</u></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, 2015

	<u>2015</u>	<u>2014</u>
	\$	\$
Balance, beginning of year	253,701	221,546
Excess of revenue over expenditures	<u>(37,384)</u>	<u>32,155</u>
Balance, end of year (Note 6)	<u><u>216,317</u></u>	<u><u>253,701</u></u>

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
AUDITED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
	\$	\$
Cash flows from operating activities		
Excess of (expenditures over revenues) revenues over expenditures	(37,384)	32,155
Amortization	264	352
Increase in FMV of investments	<u>1,041</u>	<u>(31,997)</u>
	(36,079)	510
Net change to non-cash working capital items related to:		
Amounts receivable	(3,708)	(3,150)
HST receivable	(3,147)	(3,400)
Prepaid expenses	(3,869)	355
Inventory	(1,760)	7,040
Accounts payable	(3,884)	(1,145)
Deferred revenue	<u>(11,551)</u>	<u>(10,229)</u>
	(63,998)	(10,019)
Net proceeds from (purchases of) investments	<u>57,930</u>	<u>(10,288)</u>
Decrease in cash flow	(6,068)	(20,307)
Opening cash balance	<u>21,693</u>	<u>42,000</u>
Closing cash balance	<u><u>15,625</u></u>	<u><u>21,693</u></u>

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

**INITIATIVES OF CHANGE ASSOCIATION (CANADA)
NOTES TO AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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. Initiatives of Change places the search for inner wisdom at the heart of its approach. 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, 2015**

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, 2015

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 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, 2015

4. Property and Equipment

	<u>Cost</u>	2015 <u>Acc. Amort.</u>	<u>NBV</u>	2014 <u>NBV</u>
Furniture and equipment	<u>1,760</u>	<u>792</u>	<u>968</u>	<u>1,241</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>2015</u>	<u>2014</u>
Lawson Fund	41,953	46,953
Harvey Fund	17,833	23,833
Westerman Fund	25,174	25,174
Challenge Fund	<u>23,646</u>	<u>24,197</u>
	<u>108,606</u>	<u>120,157</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.

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
NOTES TO AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2015

6. Internally Restricted Fund Balances

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

	<u>2015</u>	<u>2014</u>
Health and emergency	392	392
Quebec projects	3,541	1,228
Archive development project	<u>6,850</u>	<u>4,652</u>
	<u><u>10,783</u></u>	<u><u>6,272</u></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, 2016. Future minimum lease payments over the next year is:

	\$
2016	8,300

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, 2015

Schedule 1 - Revenue Comparative

	<u>2015</u>	2914
	\$	\$
Donations		
General	57,970	52,281
On-line	<u>2,719</u>	<u>1,619</u>
	60,689	53,900
Donations allocated to programs	<u>5,160</u>	<u>8,968</u>
Total donations	<u><u>65,849</u></u>	<u><u>62,868</u></u>
Memorials and Legacies		
Memorial	<u><u>75</u></u>	<u><u>96</u></u>

Schedule 2 - Program Analysis

	<u>Revenues</u>	<u>Expenses</u>
	\$	\$
Programs		
Archive development project	2,700	502
Bridge building	7,386	4,755
Program resource development	8,173	9,148
Team development	700	(165)
Training and development	<u>1,579</u>	<u>7,383</u>
	<u><u>20,538</u></u>	<u><u>21,623</u></u>

Program expenses as shown above include no human resource costs. For financial statement purposes, the program expense amount includes \$93,584 (2014 - \$64,861) of human resources costs allocated to providing the programs.

INITIATIVES OF CHANGE ASSOCIATION (CANADA)
SCHEDULE 3 - HUMAN RESOURCE ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
	\$	\$
Program managers and coordinators	106,008	49,200
Administrator	20,106	21,938
Benefits and casual labour	<u>8,054</u>	<u>8,667</u>
	134,168	79,805
Quebec wage subsidy	<u>(8,173)</u>	<u>-</u>
	<u><u>125,995</u></u>	<u><u>79,805</u></u>

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

As at December 31, 2015, the Association employed three program managers and coordinators and one administrator.

Under an employment program for new immigrants, the Association received a subsidy of \$8,173 from the Province of Quebec for the employment of a program manager.