

CAPACITY WATERLOO REGION
FINANCIAL STATEMENTS
DECEMBER 31, 2013



INDEPENDENT AUDITORS' REPORT
To the Directors of Capacity Waterloo Region

Report on the Financial Statements

We have audited the accompanying financial statements of Capacity Waterloo Region, which comprise the statement of financial position as at December 31, 2013, the statement of operations and change in net assets, and the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity'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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis of Qualified Opinion

In common with many not-for-profit organizations, Capacity Waterloo Region derives a portion of its revenues from the general public in the form of donations and fundraising the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenues from these sources was limited to accounting for the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to income, excess (deficit) of income over expenses and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Capacity Waterloo Region as at December 31, 2013, and its results of operations, change in net assets and cash flows, for the year then ended, in accordance with Canadian Accounting Standards for Not-for-profit Organizations.

Cardy Winters & Simon LLP

Chartered Professional Accountants

Licensed Public Accountants

April 24, 2014

Kitchener, ON

Cardy Winters & Simon LLP

Chartered Professional Accountants

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CAPACITY WATERLOO REGION

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2013

(with comparative figures as at December 31, 2012)

(the accompanying notes are an integral part of these financial statements)

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT		
Cash	109,807	83,810
Accounts and HST receivable	17,929	80,134
Prepaid expenses	5,925	1,621
	<u>133,661</u>	<u>165,565</u>
PROPERTY AND EQUIPMENT		
Equipment	4,758	1,693
Accumulated amortization	1,137	169
	<u>3,621</u>	<u>1,524</u>
	<u><u>\$137,282</u></u>	<u><u>\$167,089</u></u>
LIABILITIES		
CURRENT		
Accounts payable	19,389	19,534
Deferred income (note 2)	35,552	63,489
	<u>54,941</u>	<u>83,023</u>
NET ASSETS		
Unrestricted	82,341	84,066
	<u><u>\$137,282</u></u>	<u><u>\$167,089</u></u>

CAPACITY WATERLOO REGION
STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013
 (with comparative figures for the nine months ended December 31, 2012)
 (the accompanying notes are an integral part of these financial statements)

	<u>2013</u>	<u>2012</u>
INCOME		(nine months)
Donations	110,450	53,310
Fee for Service	52,888	68,219
Grants	354,796	134,759
	<u>518,134</u>	<u>256,288</u>
EXPENSES		
Salaries and benefits	300,417	107,780
Contracted services	74,320	63,162
Administration	22,018	14,309
Meetings and conferences	31,245	26,981
Educational events	54,524	11,726
Technology	7,817	7,789
Marketing and promotion	22,898	3,696
Professional fees	10,478	5,810
Amortization of property and equipment	968	169
	<u>524,685</u>	<u>241,422</u>
EXCESS (DEFICIT) OF INCOME OVER EXPENSES	(6,551)	14,866
NET ASSETS - beginning of the year	84,066	0
Transfer from Tides Canada (note 4)	4,826	69,200
NET ASSETS - end of the year	\$82,341	\$84,066

CAPACITY WATERLOO REGION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

(with comparative figures for the nine months ended December 31, 2012)

(the accompanying notes are an integral part of these financial statements)

	<u>2013</u>	<u>2012</u>
		(nine months)
Sources (uses) of funds:		
OPERATING ACTIVITIES		
Excess of income over expenses	(6,551)	14,866
Amortization of property and equipment	968	169
	<u>(5,583)</u>	<u>15,035</u>
Change in non-cash current assets and liabilities:		
Accounts and HST receivable	62,205	(80,134)
Prepaid expenses	(4,304)	(1,621)
Accounts payable	(145)	19,534
Deferred income (note 2)	(27,937)	63,489
	<u>24,236</u>	<u>16,303</u>
INVESTING ACTIVITIES		
Purchases of equipment	(3,065)	(1,693)
FINANCING ACTIVITIES		
Transfer from Tides Canada (note 4)	4,826	69,200
CHANGE IN CASH FOR THE YEAR		
	25,997	83,810
CASH ON HAND - beginning of the year	83,810	0
CASH ON HAND - end of the year	\$109,807	\$83,810

CAPACITY WATERLOO REGION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013

NATURE OF THE ORGANIZATION

Capacity Waterloo Region (CWR) was incorporated under the Ontario Business Corporations Act on April 5, 2012 and is a charity registered with Canada Revenue Agency, and as such does not pay income tax. CWR brings together the ideas, people and resources that drive social change. CWR's vision is to change lives through courageous community organizations. CWR accomplishes this by providing non-profit leaders with new resources and professional support which enhance leadership skills, stimulate cross-sectoral collaboration, promote knowledge sharing, and encourage social innovation.

1. ACCOUNTING POLICIES

BASIS OF PRESENTATION

These financial statements have been prepared using Canadian Accounting Standards for Not-for-profit Organizations.

INCOME RECOGNITION

CWR uses the deferral method for recognizing income, whereby income which is received or receivable for a designated purpose is reflected as deferred income (see note 2 below) until expended as designated, whereupon both the income and the expenses are reflected on the statement of operations and change in net assets. Undesignated income is recognized as income on the statement of operations and change in net assets when received or receivable provided amounts can be reasonably determined and collection is reasonably assured.

CWR receives significant donations of time by volunteers. Because the valuation of such contributions is impractical, no monetary value for these contributions has been reflected in these financial statements.

USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian Accounting Standards for Not-for-profit Organizations requires 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. Actual results could differ from those estimates.

FINANCIAL INSTRUMENTS

A financial instrument is a contract that creates a financial asset for one entity and a financial liability or equity instrument of another. CWR initially measures its financial assets and liabilities at fair value, except for non-arm's length transactions, if any. Subsequently all financial assets and financial liabilities are measured at amortized cost, except for investments in equity instruments with quoted fair values in an active market, if any, which are measured at fair value. Changes in fair value are recognized in net income. Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down is recognized on the statement of operations and change in net assets. Any previously recognized impairment losses may be reversed and reflected in income to the extent of improvement, provided they are no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. CWR recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption. Unless indicated otherwise in these financial statements, management believes it does not face any significant credit, currency, interest rate, liquidity or market risk with respect to any of its financial instruments.

CAPACITY WATERLOO REGION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013

1. ACCOUNTING POLICIES (continued)

PROPERTY AND EQUIPMENT

Property and equipment are reflected at cost, which is amortized using the declining balance method at the following annual rate:

Equipment	20%
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2. DEFERRED INCOME

	<u>2013</u>	<u>2012</u>
Deferred income consists of the following:		

Restricted grants and donations	35,552	63,489
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3. FINANCIAL INSTRUMENTS

	<u>2013</u>	<u>2012</u>
Financial assets measured at amortized cost	127,736	163,944

There are no financial assets adjusted to fair value annually, nor any investments in equity instruments measured at cost less a reduction for impairment.

4. TRANSFER AND TRANSACTIONS - TIDES CANADA

Prior to incorporating on April 5, 2012, CWR operated as a program of Tides Canada. In 2012, after incorporation of CWR, Tides Canada transferred unspent program funds to CWR. These funds were reflected as an addition to the opening net assets of CWR. At the time of issuance of the 2012 financial statements, CWR expected additional funds to be received from Tides Canada. However, as the amount of the funds was being negotiated by the parties and uncertain, no accrual of the additional funds was made in the 2012 financial statements. In addition, no transactions related to the CWR program operated by Tides Canada after April 5, 2012 were incorporated into the 2012 financial statements, as such transactions related to the completion of the program operated by Tides Canada, and were not considered to have been incurred 'in trust' for the newly incorporated CWR. In the current year, the balance of funds due and received from Tides Canada has been reflected as an addition to the organization's net assets. No further funds are expected to be received from Tides Canada.