

CAPACITY CANADA

FINANCIAL STATEMENTS

DECEMBER 31, 2016



INDEPENDENT AUDITORS' REPORT
To the Directors of Capacity Canada

Report on the Financial Statements

We have audited the accompanying financial statements of Capacity Canada, which comprise the statement of financial position as at December 31, 2016, 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 Canada derives a portion of its revenues from the general public in the form of donations 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 Canada as at December 31, 2016, 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

February 24, 2017
Kitchener, ON

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CAPACITY CANADA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

(with comparative figures as at December 31, 2015)

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

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT		
Cash - unrestricted	8,374	67,288
Cash - restricted (note 1)	90,150	0
Cash - deferred income obligation (note 3)	399,100	514,828
Accounts and HST receivable	58,527	69,189
Prepaid expenses	12,854	6,250
	<hr/> 569,005	<hr/> 657,555
PROPERTY AND EQUIPMENT (note 2)	9,010	13,876
	<hr/> \$578,015	<hr/> \$671,431
LIABILITIES		
CURRENT		
Accounts payable	40,164	26,296
Deferred income (note 3)	399,100	514,828
	<hr/> 439,264	<hr/> 541,124
NET ASSETS		
Restricted (note 1)	90,150	0
Unrestricted	48,601	130,307
	<hr/> 138,751	<hr/> 130,307
	<hr/> \$578,015	<hr/> \$671,431

CAPACITY CANADA

STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2016

(with comparative figures for the year ended December 31, 2015)

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

	<u>2016</u>	<u>2015</u>
INCOME		
Donations	403,168	429,548
Fee for Service	213,569	148,669
Grants	648,452	390,227
Interest income	5,497	3,495
	<hr/> 1,270,686	<hr/> 971,939
EXPENSES		
Salaries and benefits	571,350	435,195
Contracted services	361,809	262,030
Administration	52,931	38,812
Meetings and conferences	123,730	63,706
Educational events	66,844	51,630
Technology	27,812	50,121
Marketing and promotion	21,460	21,154
Professional fees	15,608	16,215
Gifts to other charities	11,070	5,110
Amortization of property and equipment	9,628	4,565
	<hr/> 1,262,242	<hr/> 948,538
EXCESS OF INCOME OVER EXPENSES	8,444	23,401
NET ASSETS - beginning of the year	<hr/> 130,307	<hr/> 106,906
NET ASSETS - end of the year	<hr/> \$138,751	<hr/> \$130,307

CAPACITY CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

(with comparative figures for the year ended December 31, 2015)

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

	<u>2016</u>	<u>2015</u>
Sources (uses) of funds:		
OPERATING ACTIVITIES		
Excess of income over expenses	8,444	23,401
Amortization of property and equipment	9,628	4,565
	<u>18,072</u>	<u>27,966</u>
Change in non-cash current assets and liabilities:		
Accounts and HST receivable	10,662	(33,101)
Prepaid expenses	(6,604)	(3,093)
Accounts payable	13,868	2,719
Deferred income (note 3)	(115,728)	382,820
	<u>(79,730)</u>	<u>377,311</u>
INVESTING ACTIVITIES		
Purchases of equipment	(4,762)	(12,482)
FINANCING ACTIVITIES	0	0
CHANGE IN CASH FOR THE YEAR	(84,492)	364,829
CASH ON HAND - beginning of the year	582,116	217,287
CASH ON HAND - end of the year	<u>\$497,624</u>	<u>\$582,116</u>
REPRESENTED BY:		
Cash - unrestricted	8,374	67,288
Cash - restricted (note 1)	90,150	0
Cash - deferred income obligation (note 3)	399,100	514,828
	<u>\$497,624</u>	<u>\$582,116</u>

CAPACITY CANADA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NATURE OF THE ORGANIZATION

Capacity Canada was incorporated under the Canada Not-for-profit Corporations Act and is a charity registered with Canada Revenue Agency, and as such does not pay income tax. Capacity Canada brings together the ideas, people and resources that drive social change. Capacity Canada's vision is to change lives through courageous community organizations. Capacity Canada 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

Capacity Canada uses the deferral method for recognizing income, whereby income which is received or receivable for a restricted 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. Unrestricted income is recognized as income when received or receivable provided amounts can be reasonable determined and collection is reasonably assured.

Capacity Canada 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.

PROPERTY AND EQUIPMENT

Equipment and leasehold improvements are reflected at cost, which is amortized using the following annual rates:

Equipment	30% on the declining balance
Leasehold improvements	over 12 months on a straight-line basis

RESTRICTED CASH AND NET ASSETS

In the current year, the Board of Directors established of a Working Capital Reserve Fund and approved \$90,000 in transfers thereto. The purpose of the Reserve Fund is to establish a pool of liquid assets which would be available to fund significant decreases in annual funding. Income earned from the funds set aside in this fund accrue to this fund. Transfers out of the Working Capital Reserve Fund must be approved by the Board of Directors.

CAPACITY CANADA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

1. ACCOUNTING POLICIES (continued)

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. Capacity Canada 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. Capacity Canada 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.

2. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>2016 Accumulated Amortization</u>	<u>Net Book Value</u>	<u>2015 Net Book Value</u>
Equipment and furniture	16,981	7,971	9,010	7,089
Leasehold improvements	9,049	9,049	0	6,787
	<u>\$26,030</u>	<u>\$17,020</u>	<u>\$9,010</u>	<u>\$13,876</u>

3. DEFERRED INCOME

Deferred income consists of restricted grants and donations (see income recognition - note 1.)

4. FINANCIAL INSTRUMENTS

	<u>2016</u>	<u>2015</u>
Financial assets measured at amortized cost	\$535,497	\$616,568

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

As in the prior year, management believes it does not face any significant credit, currency, interest rate, liquidity or market risk with respect to any of its financial instruments.