

CAPACITY CANADA

FINANCIAL STATEMENTS

DECEMBER 31, 2017



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, 2017, 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, 2017, 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, 2018
Kitchener, ON

Cardy Winters & Simon LLP
Chartered Professional Accountants
Suite 103 – 630 Riverbend Drive, Kitchener, ON N2K 3S2
Tel (519) 744-4030 Fax (519) 579-7576 www.cwscpa.ca

CAPACITY CANADA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

(with comparative figures as at December 31, 2016)

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

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT		
Cash - unrestricted	139,078	407,474
Cash - restricted (note 1)	67	90,150
Investment - restricted (notes 1 and 2)	90,618	0
Accounts and HST receivable	44,206	58,527
Prepaid expenses	11,120	12,854
	<hr/> 285,089	<hr/> 569,005
PROPERTY AND EQUIPMENT (note 3)	7,298	9,010
	<hr/> \$292,387	<hr/> \$578,015
LIABILITIES		
CURRENT		
Accounts payable	50,064	40,164
Deferred income (note 4)	153,700	399,100
	<hr/> 203,764	<hr/> 439,264
NET ASSETS		
Restricted - Working Capital Reserve (note 1)	90,685	90,150
Unrestricted	(2,062)	48,601
	<hr/> 88,623	<hr/> 138,751
	<hr/> \$292,387	<hr/> \$578,015

CAPACITY CANADA

STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2017

(with comparative figures for the year ended December 31, 2016)

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

	<u>2017</u>	<u>2016</u>
INCOME		
Donations	309,152	403,168
Fee for Service	184,503	213,569
Grants	557,674	648,452
Interest income	4,292	5,497
	<hr/> 1,055,621	<hr/> 1,270,686
EXPENSES		
Salaries and benefits	476,741	571,350
Contracted services	324,599	361,809
Administration	46,557	52,931
Meetings and conferences	91,733	123,730
Educational events	95,843	66,844
Technology	32,507	27,812
Marketing and promotion	16,136	21,460
Professional fees	13,755	15,608
Gifts to other charities	5,000	11,070
Amortization of property and equipment	2,878	9,628
	<hr/> 1,105,749	<hr/> 1,262,242
EXCESS (DEFICIT) OF INCOME OVER EXPENSES	(50,128)	8,444
NET ASSETS - beginning of the year	<hr/> 138,751	<hr/> 130,307
NET ASSETS - end of the year	<hr/> \$88,623	<hr/> \$138,751

CAPACITY CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

(with comparative figures for the year ended December 31, 2016)

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

	<u>2017</u>	<u>2016</u>
Sources (uses) of funds:		
OPERATING ACTIVITIES		
Excess (deficit) of income over expenses	(50,128)	8,444
Amortization of property and equipment	2,878	9,628
	<u>(47,250)</u>	<u>18,072</u>
Change in non-cash current assets and liabilities:		
Investment - restricted (notes 1 and 2)	(90,618)	0
Accounts and HST receivable	14,321	10,662
Prepaid expenses	1,734	(6,604)
Accounts payable	9,900	13,868
Deferred income (note 4)	(245,400)	(115,728)
	<u>(357,313)</u>	<u>(79,730)</u>
INVESTING ACTIVITIES		
Purchases of equipment	(1,166)	(4,762)
FINANCING ACTIVITIES	0	0
CHANGE IN CASH FOR THE YEAR	<u>(358,479)</u>	<u>(84,492)</u>
CASH ON HAND - beginning of the year	<u>497,624</u>	<u>582,116</u>
CASH ON HAND - end of the year	<u>\$139,145</u>	<u>\$497,624</u>
REPRESENTED BY:		
Cash - unrestricted	139,078	407,474
Cash - restricted (note 1)	67	90,150
	<u>\$139,145</u>	<u>\$497,624</u>

CAPACITY CANADA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 4 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 reasonably 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 is reflected at cost, which is amortized using the following annual rates:

Equipment	30% on the declining balance
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RESTRICTED CASH, INVESTMENTS AND NET ASSETS

The Board of Directors have established of a Working Capital Reserve, the purpose of which is to maintain a pool of liquid assets which is available to fund significant decreases in annual income. Income earned from the funds set aside in this reserve accrue to this reserve. Transfers out of the Working Capital Reserve must be approved by the Board of Directors.

CAPACITY CANADA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 the fair value of equity instruments 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. INVESTMENT

	<u>2017</u>	<u>2016</u>
Guaranteed investment certificate, 1.25%, due April 2018	90,618	0

3. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>2017</u> <u>Accumulated</u> <u>Amortization</u>	<u>Net Book</u> <u>Value</u>	<u>2016</u> <u>Net Book</u> <u>Value</u>
Equipment and furniture	18,147	10,849	7,298	9,010

4. DEFERRED INCOME

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

5. FINANCIAL INSTRUMENTS

	<u>2017</u>	<u>2016</u>
Financial assets measured at amortized cost - cash, investments, accounts receivable (excluding HST receivable)	\$253,083	\$535,497

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.