

CAPACITY CANADA

**FINANCIAL STATEMENTS
DECEMBER 31, 2018**



INDEPENDENT AUDITORS' REPORT

To the Directors of Capacity Canada

Qualified Opinion

We have audited the financial statements of Capacity Canada, which comprise the statement of financial position as at December 31, 2018, and the statement of operations and changes in net assets, and the statement of cash flows, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of Capacity Canada as at December 31, 2018 and its results of operations, changes in net assets, and cash flows, for the year then ended, in accordance with Canadian Accounting Standards for Not-for-profit Organizations.

Basis of Qualified Opinion

In common with many charitable organizations, Capacity Canada derives a portion of its income 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 Capacity Canada. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, excess (deficit) of revenues over expenses, and cash flows for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017, and net assets as at January 1, 2017 and December 31, 2018 and 2017. Our audit opinion on the financial statements for the year ended December 31, 2017 was also modified because of the possible effects of the same limitation in scope.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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.

In preparing the financial statements, management is responsible for assessing the organization'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 organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the evidence available to us at the time of our audit.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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 we identify during our audit.

Cardy Winters & Simon LLP

February 22, 2019
Kitchener, ON

Cardy Winters & Simon LLP

**Chartered Professional Accountants
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CAPACITY CANADA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

(with comparative figures as at December 31, 2017)

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

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT		
Cash - unrestricted	186,747	139,078
Cash - restricted (note 1)	92,006	67
Investment - restricted (notes 1 and 2)	0	90,618
Accounts and HST receivable	51,251	44,206
Prepaid expenses	36,456	11,120
	<hr/> 366,460	<hr/> 285,089
PROPERTY AND EQUIPMENT (note 3)	5,108	7,298
	<hr/> \$371,568	<hr/> \$292,387
LIABILITIES		
CURRENT		
Accounts payable	23,571	50,064
Deferred income (note 4)	226,572	153,700
	<hr/> 250,143	<hr/> 203,764
NET ASSETS		
Restricted - Working Capital Reserve (note 1)	92,006	90,150
Unrestricted	29,419	(1,527)
	<hr/> 121,425	<hr/> 88,623
	<hr/> \$371,568	<hr/> \$292,387

CAPACITY CANADA

STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2018

(with comparative figures for the year ended December 31, 2017)

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

	<u>2018</u>	<u>2017</u>
INCOME		
Grants	730,984	557,674
Donations	304,221	309,152
Fee for Service	190,723	184,503
Interest income	7,268	4,292
	<hr/> 1,233,196	<hr/> 1,055,621
EXPENSES		
Salaries and benefits	450,715	476,741
Contracted services	462,734	324,599
Administration	48,397	46,557
Meetings and conferences	59,128	91,733
Educational events	86,999	95,843
Technology	55,492	32,507
Marketing and promotion	13,061	16,136
Professional fees	16,458	13,755
Gifts to other charities	5,220	5,000
Amortization of property and equipment	2,190	2,878
	<hr/> 1,200,394	<hr/> 1,105,749
EXCESS (DEFICIT) OF INCOME OVER EXPENSES	32,802	(50,128)
NET ASSETS - beginning of the year	88,623	138,751
NET ASSETS - end of the year	<hr/> \$121,425	<hr/> \$88,623

CAPACITY CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

(with comparative figures for the year ended December 31, 2017)

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

	<u>2018</u>	<u>2017</u>
Sources (uses) of funds:		
OPERATING ACTIVITIES		
Excess (deficit) of income over expenses	32,802	(50,128)
Amortization of property and equipment	2,190	2,878
	<hr/> 34,992	<hr/> (47,250)
Change in non-cash current assets and liabilities:		
Investment - restricted (notes 1 and 2)	90,618	(90,618)
Accounts and HST receivable	(7,045)	14,321
Prepaid expenses	(25,336)	1,734
Accounts payable	(26,493)	9,900
Deferred income (note 4)	72,872	(245,400)
	<hr/> 139,608	<hr/> (357,313)
INVESTING ACTIVITIES		
Purchases of equipment	0	(1,166)
FINANCING ACTIVITIES	0	0
CHANGE IN CASH FOR THE YEAR	139,608	(358,479)
CASH ON HAND - beginning of the year	139,145	497,624
CASH ON HAND - end of the year	<hr/> \$278,753	<hr/> \$139,145
REPRESENTED BY:		
Cash - unrestricted	186,747	139,078
Cash - restricted (note 1)	92,006	67
	<hr/> \$278,753	<hr/> \$139,145

CAPACITY CANADA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 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 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, 2018

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

3. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>2018</u> <u>Accumulated</u> <u>Amortization</u>	<u>Net Book</u> <u>Value</u>	<u>2017</u> <u>Net Book</u> <u>Value</u>
Equipment and furniture	18,147	13,039	5,108	7,298

4. DEFERRED INCOME

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

5. FINANCIAL INSTRUMENTS

	<u>2018</u>	<u>2017</u>
Financial assets measured at amortized cost - cash, investments, accounts receivable (excluding HST receivable)	\$302,153	\$253,083

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.