

CAPACITY WATERLOO REGION
FINANCIAL STATEMENTS
DECEMBER 31, 2012

INDEPENDENT AUDITOR'S REPORT

To the Directors of Capacity Waterloo Region

Report on the Financial Statements

I have audited the accompanying financial statements of Capacity Waterloo Region, which comprise the statement of financial position as at December 31, 2012, the statement of operations and change in net assets, and the statement of cash flows, for the nine months 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 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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, my verification of revenues from these sources was limited to accounting for the amounts recorded in the records of the organization and I was not able to determine whether any adjustments might be necessary to income, excess of income over expenses and net assets.

Qualified Opinion

In my 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, 2012, and its results of operations, change in net assets and cash flows, for the nine months then ended, in accordance with Canadian Accounting Standards for Not-for-profit Organizations.



Professional Corporation

April 5, 2013

Kitchener, ON

CAPACITY WATERLOO REGION

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2012

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

2012

ASSETS

CURRENT

Cash	83,810
Accounts receivable	80,134
Prepaid expenses	1,621
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	165,565

PROPERTY AND EQUIPMENT

Equipment	1,693
Accumulated amortization	169
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	1,524

\$167,089

LIABILITIES

CURRENT

Accounts payable	19,534
Deferred income (note 2)	63,489
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	83,023

NET ASSETS

Unrestricted	84,066
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\$167,089

CAPACITY WATERLOO REGION
STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2012
(the accompanying notes are an integral part of these financial statements)

	<u>2012</u>
INCOME	
Donations	53,310
Fee for Service	68,219
Grants	134,759
	<hr/> 256,288 <hr/>
EXPENSES	
Salaries and benefits	107,780
Contracted services	63,162
Administration	15,340
Meetings and conferences	25,950
Educational events	11,726
Technology	7,789
Marketing and promotion	3,696
Professional fees	5,810
Amortization of property and equipment	169
	<hr/> 241,422 <hr/>
EXCESS OF INCOME OVER EXPENSES	14,866
NET ASSETS - beginning of the year	0
Transfer from Tides Canada (note 4)	69,200
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NET ASSETS - end of the year	\$84,066 <hr/>

CAPACITY WATERLOO REGION
STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2012
(the accompanying notes are an integral part of these financial statements)

2012

Sources (uses) of funds:

OPERATING ACTIVITIES

Excess of income over expenses	14,866
Amortization of property and equipment	169
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	15,035
Change in non-cash current assets and liabilities:	
Accounts receivable	(80,134)
Prepaid expenses	(1,621)
Accounts payable	19,534
Deferred income (note 2)	63,489
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	16,303

INVESTING ACTIVITIES

Purchase of equipment	(1,693)
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FINANCING ACTIVITIES

Transfer from Tides Canada (note 4)	69,200
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CHANGE IN CASH FOR THE YEAR 83,810

CASH ON HAND - beginning of the year 0

CASH ON HAND - end of the year \$83,810

CAPACITY WATERLOO REGION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2012

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 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, 2012

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

2012

Deferred income consists of the following:

Grants	63,489
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3. FINANCIAL INSTRUMENTS

2012

Financial assets measured at amortized cost	163,944
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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. After incorporation of CWR, Tides Canada transferred unspent program funds to CWR. These funds have been reflected as an addition to the opening net assets of CWR. At the time of issuance of these financial statements, CWR expected additional funds to be received from Tides Canada. However, as the amount of these funds is being negotiated by the parties and uncertain, no accrual of these funds has been made in these financial statements. In addition, no transactions related to the CWR program operated by Tides Canada after April 5, 2012 have been incorporated into these financial statements, as such transactions relate to the completion of the program operated by Tides Canada, and are not considered to have been incurred 'in trust' for the newly incorporated CWR.