THE CARDUS INSTITUTE

consolidated financial statements

>YEAR ENDED DECEMBER 31, 2016

MAC LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

THE CARDUS INSTITUTE >

consolidated financial statements

>YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Members of The Cardus Institute:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Cardus Institute, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of operations, consolidated statement of changes in net assets and consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Cardus Institute as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

MAC LLP.

Waterloo, Ontario
June 1, 2017

LICENSED PUBLIC ACCOUNTANTS
CHARTERED PROFESSIONAL ACCOUNTANTS

THE CARDUS INSTITUTE >

consolidated statement of financial position

>DECEMBER 31, 2016

	2016	2015
assets		
current		
Cash	$ 624,574	$ 708,257
Accounts receivable	111,633	95,281
Government remittances recoverable	29,376	25,913
Prepaid expenses	67,843	68,047
	833,426	897,498
capital assets (Note 3)	1,237,060	777,416
	$ 2,070,486	$ 1,674,914
liabilities		
current		
Accounts payable and accrued liabilities	$ 177,302	$ 99,471
Deferred revenue (Note 5)	249,999	450,000
Current portion of long term debt	300,847	18,080
	728,148	567,551
long term debt (Note 6)	422,382	440,682
	1,150,530	1,008,233
commitments (Note 7)		
net assets		
Invested in capital assets	211,356	318,653
Unrestricted net assets	708,600	348,028
	919,956	666,681
	$ 2,070,486	$ 1,674,914

Approved on behalf of the board:

Director

Director

THE CARDUS INSTITUTE >

consolidated statement of changes in net assets

>YEAR ENDED DECEMBER 31, 2016

	invested in capital assets	unrestricted	2016 total	2015 total
balance, beginning of year	$ 318,653	$ 348,028	$ 666,681	$ 531,258
Excess of revenue over expenses for year	(64,396)	317,671	253,275	135,423
Investment in capital assets	(42,901)	42,901	-	-
balance, end of year	$ 211,356	$ 708,600	$ 919,956	$ 666,681

THE CARDUS INSTITUTE >

consolidated statement of operations

>YEAR ENDED DECEMBER 31, 2016

	2016	2015
revenue		
Donations	$ 3,989,285	$ 2,691,095
Activity income	534,880	529,530
Service fees	-	10,207
Reimbursements	8,883	13,651
Rental income	49,129	47,488
Foreign exchange loss	(10,752)	(31,554)
	4,571,425	3,260,417
expenses		
Amortization	64,396	32,153
Bank charges and interest	40,171	34,205
Event expenses	173,601	144,517
Human resources	2,856,630	2,153,129
Interest on long term debt	21,144	12,719
Marketing and promotion	253,054	195,468
Meals and entertainment	56,793	39,849
Meeting expenses	11,848	12,205
Office expenses and miscellaneous	140,905	105,594
Professional fees	32,662	34,517
Project costs	105,288	-
Rent and utilities	199,843	79,001
Telecommunications	26,434	19,748
Travel	335,381	261,889
	4,318,150	3,124,994
excess of revenue over expenses for year	$ 253,275	$ 135,423

THE CARDUS INSTITUTE >

consolidated statement of cash flows

>YEAR ENDED DECEMBER 31, 2016

	2016	2015
operating activities		
Excess of revenue over expenses for year	$ 253,275	$ 135,423
Adjustments for:		
Amortization	64,396	32,153
	317,671	167,576
Changes in non-cash working capital:		
Increase in accounts receivable	(16,352)	27,032
Decrease in prepaid expenses	204	(42,638)
Increase in government remittances receivable	(3,463)	(5,074)
Increase in accounts payable and accrued liabilities	77,834	(186,157)
Decrease in deferred revenue	(200,001)	304,912
	175,893	265,651
financing activities		
Change in bank loan	-	(11,500)
Advance of long term debt	264,467	149,762
	264,467	138,262
investing activities		
Purchase of capital assets	(524,043)	(107,673)
Net change in cash for the year	(83,683)	296,240
Cash balance, beginning of year	708,257	412,017
cash balance, end of year	$ 624,574	$ 708,257

1. purpose of organization

Drawing on more than 2000 years of Christian social thought, the mission of The Cardus Institute, the "Organization", is to perform research and education in the renewal of North American social architecture; to, for the common good, enrich and challenge public debate through research, events and publications. The Organization operates in Canada and is incorporated under the Ontario Corporations Act as a not-for-profit organization. The Organization is a Registered Charitable Organization for Canadian Income Tax purposes.

2. significant accounting policies

Basis of Accounting - These consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. In addition, the Organization also issues non-consolidated financial statements.

Principles of Consolidation - The consolidated financial statements include the accounts of The Cardus Institute, Cardus, Inc. US, formerly Work Research Foundation US, a controlled US-based non-profit organization, as well as Work Research Supporters Inc. (WRS), a controlled Canadian-based not-for-profit corporation and its subsidiary Big Road Partners Inc, a Canadian-based for-profit corporation. Cardus, Inc. and WRS are both controlled by virtue of a common Board of Directors. Inter-company accounts and transactions have been eliminated.

Revenue Recognition - The Organization follows the deferral method of accounting for revenue. Unrestricted contributions are recognized as revenue when received. Restricted contributions are recognized as revenue when the related expense is incurred.

Activity income is recognized as project milestones are achieved. The unearned portion of retainers received are classified as deferred revenue.

Rental income is recognized on a monthly basis as the rent becomes due.

Financial Instruments

Measurement - The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long term debt.

The Organization has not designated any financial asset or financial liability to be measured at fair value.

Impairment - Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized as operating cost. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized as income from operations.

Capital Assets and Amortization - Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided in the accounts using the following methods and annual rates:

Asset	Method	Period
Building	Straight line	25 years
Leashold improvements	Straight line	10 years
Computer equipment	Straight line	3 years
Furniture and fixtures	Straight line	5 years

Capital assets acquired during the year are amortized at one half the above annual rates.

Contributed Materials and Services - Volunteers contribute their time to assist the Organization in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

The Organization receives contributed materials, the fair value of which may or may not be reasonably determinable. Contributed materials are recognized as donations when fair value can be determined. During the year, $45,360 (2015 - $Nil) was recognized as donations in-kind.

Disclosure and 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 reported amounts 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.

Estimates are used when accounting for certain items such as revenues, allowance for doubtful accounts, useful lives of capital assets and asset impairments.

3. capital assets

	cost	accumulated amortization	net 2016	net 2015
Land	$ 150,000	$ -	$ 150,000	$ 150,000
Building	649,906	93,839	556,067	570,830
Leasehold improvements	419,829	20,991	398,838	16,852
Computer equipment	57,989	41,928	16,061	8,380
Furniture and fixtures	167,371	51,277	116,094	31,354
	$ 1,445,095	$ 208,035	$ 1,237,060	$ 777,416

4. credit facilities

The Organization has a $690,000 operating line of credit bearing interest at prime plus 1.75%, of which $Nil (2015 - $Nil) was used at year end. As collateral for the operating facility, the Company has provided a general security agreement, guarantee by Big Road Partners Inc. and a collateral mortgage on the land and building.

5. deferred revenue

During the year, the Organization received funds from interested parties to support specific projects. The following reflects the continuity of the funds received and the amounts deferred to future periods:

	2016	2015
Balance, beginning of year	$ 450,000	$ 145,088
Amounts received designated for specific projects	249,999	450,000
Amounts recognized as revenue in the year	(450,000)	(145,088)
Balance, end of year	$ 249,999	$ 450,000

6. long term debt

	2016	2015
2.99% bank term loan payable in monthly instalments of $2,632 including interest, secured by land and building with a carrying value of 706,067, due January 2019.	$ 441,048	$ 458,762
3.28% bank term loan payable in monthly instalments of $10,503 including interest, due August 2017.	282,181	-
	723,229	458,762
Less portion due within one year	300,847	18,080
	$ 422,382	$ 440,682

The aggregate amount of principal payments required on the long term debt in each of the next three years is as follows:

2017	$ 300,847
2018	$ 19,232
2019	$ 403,150

7. commitments

The Organization is obligated under a leasing contract for the premises from which it operates. The lease expires in June 2021 and the future minimum lease payments are as follows:

2017	$ 156,387
2018	158,891
2019	161,395
2020	163,899
2021	82,575

8. financial instruments

Risk management - The significant risks to which the Organization is exposed are credit risk, interest rate risk, currency risk and liquidity risk.

Credit risk - The Organization provides credit in the normal course of operations. Credit risk is minimized through progress billings and the use of retainers.

Interest rate risk - Long term debt bears interest at a variable rate. The variable rate debt is renewable in one year increments. Consequently, the long term debt risk exposure is minimal.

Currency Risk - Some assets, liabilities, revenues and expenses are exposed to foreign exchange fluctuations. As at December 31, 2016, cash, accounts receivable, accounts payable and accrued liabilities of $5,425, $358 and $45,355 respectively (2015 - $9,006, $254 and $17,664) are denominated in US dollars.

Liquidity Risk - Liquidity risk is the risk that the Organization will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Organization's cash requirements. Additional cash requirements are met with the use of the available operating line of credit and bank borrowings under long term credit arrangements. The available operating line of credit provides flexibility in the short term to meet operational needs and bridge long term financing. The Organization's borrowing arrangements are concentrated with a single Canadian financial institution.