THE CARDUS INSTITUTE

consolidated financial statements

>YEAR ENDED DECEMBER 31, 2017

MAC LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

THE CARDUS INSTITUTE >

consolidated financial statements

>YEAR ENDED DECEMBER 31, 2017

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490 Dutton Drive, Suite C3, Waterloo, Ontario N2L 6H7
T 519-725-2600 TF 1-877-725-2611 F 519-725-2484

Chartered Professional Accountants
www.mac-ca.com

mac

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, 2017, 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of The Cardus Institute as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

MAC LLP.

Waterloo, Ontario
June 11, 2018

LICENSED PUBLIC ACCOUNTANTS
CHARTERED PROFESSIONAL ACCOUNTANTS

THE CARDUS INSTITUTE >

consolidated statement of financial position

>DECEMBER 31, 2017

	2017	2016
assets		
current		
Cash	$ 659,546	$ 624,574
Accounts receivable	141,099	111,633
Government remittances recoverable	31,139	29,376
Prepaid expenses	45,128	67,843
	876,912	833,426
capital assets (Note 3)	1,179,301	1,237,060
	$ 2,056,213	$ 2,070,486
liabilities		
current		
Accounts payable and accrued liabilities	$ 153,248	$ 177,302
Deferred revenue (Note 5)	364,930	249,999
Current portion of long term debt	184,815	300,847
	702,993	728,148
long term debt (Note 6)	404,081	422,382
	1,107,074	1,150,530
commitments (Note 7)		
net assets		
Invested in capital assets	590,404	211,356
Unrestricted net assets	358,735	708,600
	949,139	919,956
	$ 2,056,213	$ 2,070,486

Approved on behalf of the board:

Director

Director

THE CARDUS INSTITUTE >

consolidated statement of changes in net assets

>YEAR ENDED DECEMBER 31, 2017

	invested in capital assets	unrestricted	2017 total	2016 total
balance, beginning of year	$ 211,356	$ 708,600	$ 919,956	$ 666,681
Excess of revenue over expenses for year	(100,680)	129,863	29,183	253,275
Investment in capital assets	479,728	(479,728)	-	-
balance, end of year	$ 590,404	$ 358,735	$ 949,139	$ 919,956

THE CARDUS INSTITUTE >

consolidated statement of operations

>YEAR ENDED DECEMBER 31, 2017

	2017	2016
revenue		
Donations	$ 3,843,962	$ 3,989,285
Activity income	671,295	534,880
Reimbursements	2,874	8,883
Rental income	48,889	49,129
Foreign exchange gain	15,072	(10,752)
	4,582,092	4,571,425
expenses		
Amortization	100,680	64,396
Bank charges and interest	52,071	40,171
Event expenses	242,198	173,601
Human resources	2,689,208	2,856,630
Interest on long term debt	21,281	21,144
Marketing and promotion	268,741	253,054
Meals and entertainment	56,252	56,793
Meeting expenses	8,966	11,848
Office expenses and miscellaneous	226,312	140,905
Professional fees	37,839	32,662
Project costs	244,347	105,288
Rent and utilities	264,499	199,843
Telecommunications	27,978	26,434
Travel	312,537	335,381
	4,552,909	4,318,150
excess of revenue over expenses for year	$ 29,183	$ 253,275

THE CARDUS INSTITUTE >

consolidated statement of cash flows

>YEAR ENDED DECEMBER 31, 2017

	2017	2016
operating activities		
Excess of revenue over expenses for year	$ 29,183	$ 253,275
Adjustments for:		
Amortization	100,680	64,396
	129,863	317,671
Changes in non-cash working capital:		
Increase in accounts receivable	(29,466)	(16,352)
Increase in government remittances receivable	(1,763)	(3,463)
Decrease in prepaid expenses	22,715	204
Decrease in accounts payable and accrued liabilities	(24,053)	77,834
Increase in deferred revenue	114,931	(200,001)
	212,227	175,893
financing activities		
Repayment of long term debt	(134,333)	264,467
investing activities		
Purchase of capital assets	(42,922)	(524,043)
Net change in cash for the year	34,972	(83,683)
Cash balance, beginning of year	624,574	708,257
cash balance, end of year	$ 659,546	$ 624,574

notes to consolidated financial statements

1. purpose of organization

Drawing on more than 2,000 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.

Service fees and reimbursements are recognized as they are earned.

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
Leasehold 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 consolidated 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, $3,061 (2016 - $45,360) 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 2017	net 2016
Land	$ 150,000	$ -	$ 150,000	$ 150,000
Building	658,585	111,919	546,666	556,067
Leasehold improvements	442,805	64,123	378,682	398,838
Computer equipment	63,261	51,079	12,182	16,061
Furniture and fixtures	173,365	81,594	91,771	116,094
	$ 1,488,016	$ 308,715	$ 1,179,301	$ 1,237,060

4. credit facilities

The Organization has a $850,000 operating line of credit bearing interest at prime plus 1.75%, of which $Nil (2016 - $Nil) was used at year end. As collateral for the operating facility, the Organization 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 which are restricted to a specific time period or to support specific projects. The following reflects the continuity of the funds received and the amounts deferred to future periods:

	2017	2016
Balance, beginning of year	$ 249,999	$ 450,000
Amounts received designated for specific projects	364,930	249,999
Amounts recognized as revenue in the year	(249,999)	(450,000)
Balance, end of year	$ 364,930	$ 249,999

6. long term debt

	2017	2016
2.99% bank term loan payable in monthly instalments of $2,632 including interest, secured by land and building with a carrying value of 696,666, due January 2019.	$ 423,334	$ 441,048
3.15% bank term loan payable in monthly instalments of $10,000 including interest, due August 2018.	165,562	282,181
	588,896	723,229
Less portion due within one year	184,815	300,847
	$ 404,081	$ 422,382

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

2018	$ 184,815
2019	$ 404,081

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:

2018	$ 158,891
2019	161,395
2020	163,899
2021	82,575
	$ 566,760

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, 2017, cash, accounts receivable, accounts payable and accrued liabilities of $87,625, $214, and $1,465 respectively (2016 - $5,425, $358, and $45,355) 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.