THE CARDUS INSTITUTE

consolidated financial statements

>YEAR ENDED DECEMBER 31, 2014

MAC LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

THE CARDUS INSTITUTE >

consolidated financial statements

>YEAR ENDED DECEMBER 31, 2014

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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, 2014, 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 generally accepted accounting principles 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many similar charitable organizations, The Cardus Institute derives revenue from donations from interested persons, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenues, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2014 and December 31, 2013, and current assets and net assets as at December 31, 2014 and December 31, 2013.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements present fairly, in all material respects, the financial position of The Cardus Institute as at December 31, 2014 and December 31, 2013, and the results of its operations and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with Canadian accounting standards for not-for-profit organizations.

MAC LLP.

Waterloo, Ontario
June 12, 2015

LICENSED PUBLIC ACCOUNTANTS
CHARTERED PROFESSIONAL ACCOUNTANTS

THE CARDUS INSTITUTE >

consolidated statement of financial position

>DECEMBER 31, 2014

	2014	2013
assets		
current		
Cash	**$ 412,017**	$ 370,113
Accounts receivable	**122,313**	31,938
Government remittances recoverable	**20,839**	-
Prepaid expenses	**25,409**	47,431
	580,578	449,482
capital assets (Note 3)	**701,896**	612,931
	$ 1,282,474	$ 1,062,413
liabilities		
current		
Bank loan (Note 4)	**$ 11,500**	$ -
Accounts payable and accrued liabilities	**285,628**	132,817
Government remittances payable	**-**	453
Deferred revenue (Note 5)	**145,088**	149,875
Current portion of long term debt	**309,000**	309,000
	751,216	592,145
net assets		
Invested in capital assets	**392,897**	303,932
Unrestricted net assets	**138,361**	166,336
	531,258	470,268
	$ 1,282,474	$ 1,062,413

Approved on behalf of the board:

Director **Director**

THE CARDUS INSTITUTE >

consolidated statement of changes in net assets

>YEAR ENDED DECEMBER 31, 2014

	invested in capital assets	unrestricted	2014 total	2013 total
balance, beginning of year	$ 303,932	$ 166,336	$ 470,268	$ 461,729
Excess (deficiency) of revenue over expenses for year	(23,844)	84,834	60,990	8,539
Investment in capital assets	112,809	(112,809)	-	-
balance, end of year	$ 392,897	$ 138,361	$ 531,258	$ 470,268

THE CARDUS INSTITUTE >

consolidated statement of operations

>YEAR ENDED DECEMBER 31, 2014

	2014	2013
revenue		
Donations	**$ 1,728,660**	$ 1,446,465
Activity income	**796,241**	683,165
Reimbursements	**5,214**	7,947
Rental income	**57,318**	58,189
Foreign exchange gain (loss)	**(25,633)**	(7,472)
	2,561,800	2,188,294
expenses		
Amortization	**23,844**	18,086
Bank charges and interest	**21,927**	23,732
Event expenses	**172,091**	131,374
Human resources	**1,625,725**	1,472,030
Interest on long term debt	**9,270**	9,270
Marketing and promotion	**177,229**	157,036
Meals and entertainment	**31,291**	23,218
Meeting expenses	**6,079**	7,940
Office expenses and miscellaneous	**100,889**	71,992
Professional fees	**20,065**	20,918
Rent and utilities	**57,934**	51,715
Telecommunications	**19,664**	16,992
Travel	**234,802**	175,452
	2,500,810	2,179,755
excess of revenue over expenses for year	**$ 60,990**	$ 8,539

THE CARDUS INSTITUTE >

consolidated statement of cash flows

>YEAR ENDED DECEMBER 31, 2014

	2014	2013
operating activities		
Excess of revenue over expenses for year	$ 60,990	$ 8,539
Adjustments for:		
Amortization	23,844	18,086
	84,834	26,625
Changes in non-cash working capital:		
Increase in accounts receivable	(90,375)	7,801
Decrease in prepaid expenses	22,022	(43,864)
Increase in government remittances receivable	(21,292)	14,488
Increase in accounts payable and accrued liabilities	152,811	96,907
Decrease in deferred revenue	(4,787)	(180,125)
	143,213	(78,168)
financing activities		
Change in short-term loan balance	11,500	-
investing activities		
Purchase of capital assets	(112,809)	(37,670)
Net change in cash for the year	41,904	(115,838)
Cash balance, beginning of year	370,113	485,951
cash balance, end of year	$ 412,017	$ 370,113

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. The Organization also issues non-consolidated financial statements, Both financial statements are prepared for general purposes.

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 - Capital assets are recorded at cost. Amortization is provided in the accounts using the following methods and annual rates:

Asset	Method	Period
Building	Straight line	25 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. No contributed materials were recognized as donation revenue during the year.

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 2014	net 2013
Land	$ 150,000	$ -	$ 150,000	$ 150,000
Building	565,520	58,211	507,309	450,385
Computer equipment	39,113	29,847	9,266	7,645
Furniture and fixtures	58,750	23,429	35,321	4,901
	$ 813,383	$ 111,487	$ 701,896	$ 612,931

4. bank loan

The Organization has a $350,000 line of credit bearing interest on drawn amounts at prime plus 2.25% secured by a general security agreement over the assets of the Organization.

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:

	2014	2013
Balance, beginning of year	**$ 149,875**	$ 330,000
Amounts received designated for specific projects	**-**	9,875
Amounts recognized as revenue in the year	**(149,875)**	(190,000)
Balance, end of year	**$ -**	$ 149,875

6. long term debt

	2014	2013
First mortgage currently bearing interest at 3% - interest only payments - interest is fixed quarterly based on market conditions, secured by land and building with a carrying value of $657,309. Subject to a 75 day demand provision, the mortgage is renewable for four successive one year terms ending August 31, 2015.	**$ 309,000**	$ 309,000
Less portion due within one year	**309,000**	309,000
	$ -	$ -

7. 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, 2014, cash, accounts receivable, accounts payable and accrued liabilities of $168,055 $254 and $127,708 respectively (2013 - $176,694, $224 and $57,247) 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.