THE CARDUS INSTITUTE

consolidated financial statements

>YEAR ENDED DECEMBER 31, 2015

MAC LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

THE CARDUS INSTITUTE >

consolidated financial statements

>YEAR ENDED DECEMBER 31, 2015

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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, 2015, 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, 2015 and December 31, 2014, and current assets and net assets as at December 31, 2015 and December 31, 2014.

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, 2015 and December 31, 2014, and the results of its operations and its cash flows for the years ended December 31, 2015 and December 31, 2014 in accordance with Canadian accounting standards for not-for-profit organizations.

MAC LLP.

LICENSED PUBLIC ACCOUNTANTS
CHARTERED PROFESSIONAL ACCOUNTANTS

Waterloo, Ontario
June 2, 2016

THE CARDUS INSTITUTE >

consolidated statement of financial position

>DECEMBER 31, 2015

	2015	2014
assets		
current		
Cash	$ 708,257	$ 412,017
Accounts receivable	95,281	122,313
Government remittances recoverable	25,913	20,839
Prepaid expenses	68,047	25,409
	897,498	580,578
capital assets (Note 3)	777,416	701,896
	$ 1,674,914	$ 1,282,474
liabilities		
current		
Bank loan (Note 4)	$ -	$ 11,500
Accounts payable and accrued liabilities	99,471	285,628
Deferred revenue (Note 5)	450,000	145,088
Current portion of long term debt	18,080	309,000
	567,551	751,216
long term debt (Note 6)	440,682	-
	1,008,233	751,216
commitments (Note 7)		
net assets		
Invested in capital assets	318,653	392,897
Unrestricted net assets	348,028	138,361
	666,681	531,258
	$ 1,674,914	$ 1,282,474

Approved on behalf of the board:

Director

Director

THE CARDUS INSTITUTE >

consolidated statement of changes in net assets

>YEAR ENDED DECEMBER 31, 2015

	invested in capital assets	unrestricted	2015 total	2014 total
balance, beginning of year	$ 392,897	$ 138,361	$ 531,258	$ 470,268
Excess (deficiency) of revenue over expenses for year	(32,153)	167,576	135,423	60,990
Investment in capital assets	(42,091)	42,091	-	-
balance, end of year	$ 318,653	$ 348,028	$ 666,681	$ 531,258

THE CARDUS INSTITUTE >

consolidated statement of operations

>YEAR ENDED DECEMBER 31, 2015

	2015	2014
revenue		
Donations	$ 2,691,095	$ 1,728,660
Activity income	529,530	796,241
Service fees	10,207	-
Reimbursements	13,651	5,214
Rental income	47,488	57,318
Foreign exchange gain (loss)	(31,554)	(25,633)
	3,260,417	2,561,800
expenses		
Amortization	32,153	23,844
Bank charges and interest	34,205	21,927
Event expenses	144,517	172,091
Human resources	2,153,129	1,625,725
Interest on long term debt	12,719	9,270
Marketing and promotion	195,468	177,229
Meals and entertainment	39,849	31,291
Meeting expenses	12,205	6,079
Office expenses and miscellaneous	105,594	100,889
Professional fees	34,517	20,065
Rent and utilities	79,001	57,934
Telecommunications	19,748	19,664
Travel	261,889	234,802
	3,124,994	2,500,810
excess of revenue over expenses for year	$ 135,423	$ 60,990

THE CARDUS INSTITUTE >

consolidated statement of cash flows

>YEAR ENDED DECEMBER 31, 2015

		2015		2014
operating activities				
Excess of revenue over expenses for year	$	135,423	$	60,990
Adjustments for:				
Amortization		32,153		23,844
		167,576		84,834
Changes in non-cash working capital:				
Decrease in accounts receivable		27,032		(90,375)
Increase in prepaid expenses		(42,638)		22,022
Increase in government remittances receivable		(5,074)		(21,292)
Decrease in accounts payable and accrued liabilities		(186,157)		152,811
Increase in deferred revenue		304,912		(4,787)
		265,651		143,213
financing activities				
Change in bank loan		(11,500)		11,500
Advance of long term debt		149,762		-
		138,262		11,500
investing activities				
Purchase of capital assets		(107,673)		(112,809)
Net change in cash for the year		296,240		41,904
Cash balance, beginning of year		412,017		370,113
cash balance, end of year	$	708,257	$	412,017

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 2015	net 2014
Land	$ 150,000	$ -	$ 150,000	$ 150,000
Building	663,676	75,994	587,682	507,309
Computer equipment	44,061	35,681	8,380	9,266
Furniture and fixtures	63,318	31,964	31,354	35,321
	$ 921,055	$ 143,639	$ 777,416	$ 701,896

4. bank loan

The Organization has a $500,000 line of credit bearing interest at prime plus 1.75% 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:

	2015	2014
Balance, beginning of year	$ 145,088	$ 149,875
Amounts received designated for specific projects	450,000	145,088
Amounts recognized as revenue in the year	(145,088)	(149,875)
Balance, end of year	$ 450,000	$ 145,088

6. long term debt

	2015	2014
First mortgage currently bearing interest at 3% - interest only payments, secured by land and building with a carrying value of $720,830 due August 31, 2015.	$ -	$ 309,000
2.99% bank term loan payable in monthly instalments of $2,632 including interest, secured by land and building with a carrying value of $720,830, due January 30, 2019.	458,762	-
	458,762	309,000
Less portion due within one year	18,080	309,000
	$ 440,682	$ -

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

2016	$ 18,080
2017	$ 18,666
2018	$ 19,232
2019	$ 402,784

7. commitments

The Organization is obligated under a leasing contract for office space which expires in June 2021. The future minimum lease payments are as follows:

2016	$ 121,334
2017	156,387
2018	158,891
2019	161,395
2020	163,899
thereafter	82,575
	$ 844,481

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, 2015, cash, accounts receivable, accounts payable and accrued liabilities of $9,006, $254 and $17,664 respectively (2014 - $168,055, $254 and $127,708) 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.