

INNERCHANGE FOUNDATION

FINANCIAL STATEMENTS

December 31, 2013

INNERCHANGE FOUNDATION

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INNERCHANGE FOUNDATION

Independent Auditors' Report

To the Members of InnerChange Foundation:

We have audited the accompanying financial statements of INNERCHANGE FOUNDATION, which comprise the statement of financial position as at December 31, 2013 and the statements of operations and changes in net assets and of cash flows for the year 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.

Auditors' 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 financial statements. The procedures selected depend on the auditors' 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 auditors consider 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.

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, these financial statements present fairly, in all material respects, the financial position of INNERCHANGE FOUNDATION as at December 31, 2013 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Burnaby, BC
May 28, 2014

Fairhall Zhang & Associates Ltd.
Certified General Accountants

INNERCHANGE FOUNDATION

Statement of Financial Position

As at December 31, 2013

	<u>2013</u>	<u>2012</u>
Assets		
Current Assets		
Cash - Note 2 (b)	\$ 136,248	\$ 244,461
Contributions receivable - Note 2 (c)	-	21,407
GST recoverable	17,670	13,697
Prepaid expenses	<u>93</u>	<u>156</u>
	<u>\$ 154,011</u>	<u>\$ 279,721</u>
Liabilities & Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ <u>11,684</u>	\$ <u>6,397</u>
	<u>\$ 11,684</u>	<u>\$ 6,397</u>
Net Assets		
Unrestricted Net Assets	<u>\$ 142,327</u>	<u>\$ 273,324</u>
	<u>\$ 154,011</u>	<u>\$ 279,721</u>

Approved on Behalf of the Board:

_____ Director

The attached notes are an integral part hereof

INNERCHANGE FOUNDATION

Statement of Operations and Changes in Net Assets

For the Year Ended December 31, 2013

	<u>2013</u>	<u>2012</u>
Revenues		
Donations - Note 2 (c)	\$ 516,657	\$ 290,838
Interest income	<u>147</u>	<u>85</u>
	<u>516,804</u>	<u>290,923</u>
Expenditures		
Bank charges	7	13
Consulting fees	99,505	89,194
Food & beverages	453	-
Insurance	913	872
Office expenses	268	1,649
Professional fees	3,500	31,613
Research	527,613	-
Sub-contracts and material	11,430	-
Travel	134	-
Website	257	-
Sales tax expense	<u>3,721</u>	<u>6,296</u>
	<u>647,801</u>	<u>129,637</u>
Excess (Deficit) revenues over expenditures	<u>\$ (130,997)</u>	<u>\$ 161,286</u>
Net Assets, beginning of year	273,324	112,038
Net Assets, end of year	<u>\$ 142,327</u>	<u>\$ 273,324</u>

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INNERCHANGE FOUNDATION

Statement of Cash Flows

For the Year Ended December 31, 2013

	<u>2013</u>	<u>2012</u>
<u>CASH POSITION</u>		
Cash and short term deposits	\$ 136,248	\$ 244,461
<u>Net Cash Position</u>		
Net Cash Position - beginning of year	244,461	158,259
Net Cash Position - end of year	<u>136,248</u>	<u>244,461</u>
<u>Increase in Cash Position</u>	<u>\$ (108,213)</u>	<u>\$ 86,202</u>
<u>CASH FLOWS</u>		
Cash Flow From Operating Activities		
Excess (Deficit) revenues over expenditures	\$ <u>(130,997)</u>	\$ <u>161,285</u>
Changes In Non-Cash Working Capital:		
Contributions receivable	21,407	(16,343)
HST recoverable	(3,973)	(3,081)
Prepaid expenses	63	(3)
Accounts payable and accrued charges	5,287	(1,218)
Deferred revenue	<u>-</u>	<u>(54,438)</u>
Cash Provided By Operating Activities	<u>(108,213)</u>	<u>86,202</u>
Cash Flow Used in Financing Activities	<u>-</u>	<u>-</u>
Cash Provided By Investing Activities	<u>-</u>	<u>-</u>
Net Increase In Cash & Cash Equivalents	<u>\$ (108,213)</u>	<u>\$ 86,202</u>

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INNERCHANGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

1. Purposes of the Foundation

The Foundation was founded to explicitly foster the use of evidence in creating more treatment options for addicted people with the goals of both public health and public order. It was incorporated under the Society Act of British Columbia on March 6, 2007 and is a registered charity under the Income Tax Act.

2. Significant Accounting Policies

(a) Basis of accounting

The Foundation prepares its financial statements in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

(b) Fund accounting

The Foundation follows the deferred contribution method of accounting for contributions. Externally-restricted contributions, when received, are deferred and recognized in revenues in the period in which the related expenses are incurred.

(c) Cash and cash equivalents

Cash equivalents, when held, are comprised of highly liquid term deposits that are readily convertible to cash with maturities that are less than three months from the date of acquisition.

(d) Revenue recognition

Contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

(e) Financial instruments

The Foundation's financial instruments consist of cash, accounts receivable, and accounts payable and accruals. The fair values of these financial instruments approximate their carrying value because of their short terms to maturity.

3. Name Change

In September 2010, the organization officially changed its name from "Innerchange Charitable Society" to "Innerchange Foundation".

4. Financial Instruments

The Foundation monitors and manages its risks arising from financial instruments. These risks include credit risk, interest rate risk, liquidity risk and market risk. The Foundation is not exposed to these risks in any significant way.