ADR Institute of Alberta

Financial Statements

December 31, 2013

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ADR Institute of Alberta
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Year Ended December 31, 2013

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Management's Responsibility for Financial Reporting

The accompanying financial statements of the ADR Institute of Alberta and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors on behalf of the ADR Institute of Alberta .

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

ADR Institute of Alberta maintains systems of internal accounting and administrative controls of high quality consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate, and the Society's assets are appropriately accounted for and adequately safeguarded.

ADR Institute of Alberta is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. ADR Institute of Alberta carries out this responsibility principally through its Executive Director.

The Board of Directors review the ADR Institute of Alberta 's financial statements and recommends their approval. The Executive Director may, if deemed necessary, periodically with the external auditor to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditor's report. The Board of Directors of the ADR Institute of Alberta then approve the financial statements for issuance to the Members. The Board of Directors also consider, for review and approval by the Members, the engagement of the external auditor.

The financial statements have been audited by the firm Colin Presizniuk & Associates in accordance with Canadian Auditing Standards on behalf of the Members.

President

Treasurer

Edmonton, AB
June 16, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Members of ADR Institute of Alberta

We have audited the accompanying financial statements of ADR Institute of Alberta, which comprise the statement of financial position as at December 31, 2013 and the statements of revenues and expenditures, changes in net assets and 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.

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 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 auditor's 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 auditor considers 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.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ADR Institute of Alberta as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Edmonton , Alberta
June 16, 2014

Colin Presizniuk & Associates
CERTIFIED GENERAL ACCOUNTANTS

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ADR Institute of Alberta

Statement of Revenues and Expenditures

Year Ended December 31, 2013

	Operating Fund	Reserve Fund	**2013**	2012 *(4 months)*
REVENUES				
Program fees *(Note 4)*	$ 489,329	**$ -**	**$ 489,329**	$ 104,200
Membership fees *(Note 5)*	123,086	**-**	**123,086**	46,422
CAMVAP contract	57,760	**-**	**57,760**	17,011
Exclusive license agreements *(Note 6)*	32,580	**-**	**32,580**	6,300
AGM and Conference	26,865	**-**	**26,865**	-
Course design consulting fees *(Note 7)*	25,750	**-**	**25,750**	35,750
Directory	13,850	**-**	**13,850**	-
AAMS Service contract	7,000	**-**	**7,000**	38,000
Room rental income	1,815	**-**	**1,815**	30
Roster administration	1,200	**-**	**1,200**	1,000
Interest income	11	**-**	**11**	-
	779,246	**-**	**779,246**	248,713
EXPENSES *(Schedule 1)*	734,818	**-**	**734,818**	277,778
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$ 44,428	$ -	**$ 44,428**	$ (29,065)

See notes to financial statements

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ADR Institute of Alberta

Expenses ***(Schedule 1)***

Year Ended December 31, 2013

	Operating Fund	Reserve Fund	**2013**	2012 *(4 months)*
Education programs delivery	$ 310,150	**$ -**	**$ 310,150**	$ 146,129
Other contract services	114,749	**-**	**114,749**	5,700
CAMVAP contract delivery *(Note 8)*	48,132	**-**	**48,132**	16,715
Member service delivery *(Note 9)*	41,884	**-**	**41,884**	34,514
ADRI dues	27,625	**-**	**27,625**	10,080
Rent	27,205	**-**	**27,205**	8,828
AGM and conference	25,186	**-**	**25,186**	-
Accounting services	22,145	**-**	**22,145**	10,348
Employer expense	19,910	**-**	**19,910**	6,150
Interest and credit card charges	15,282	**-**	**15,282**	6,058
Board expense and insurance	12,202	**-**	**12,202**	3,310
Moving expenses	8,434	**-**	**8,434**	480
Professional fees	8,000	**-**	**8,000**	6,327
Advertising and promotion	7,916	**-**	**7,916**	2,019
Amortization	6,393	**-**	**6,393**	3,318
Office and administrative	6,290	**-**	**6,290**	2,542
Directory expense	6,248	**-**	**6,248**	-
Website development	4,703	**-**	**4,703**	2,659
Equipment repairs and maintenance	4,614	**-**	**4,614**	4,224
Equipment rental	4,346	**-**	**4,346**	1,054
Telephone	3,537	**-**	**3,537**	1,449
Insurance	3,423	**-**	**3,423**	1,119
Conference and meeting	2,461	**-**	**2,461**	3,842
Postage and courier	1,691	**-**	**1,691**	361
Printing	1,405	**-**	**1,405**	-
Storage rental	641	**-**	**641**	400
Interest on short term loan *(Note 14)*	246	**-**	**246**	152
	$ 734,818	**$ -**	$ 734,818	$ 277,778

See notes to financial statements

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ADR Institute of Alberta

Statement of Changes in Net Assets

Year Ended December 31, 2013

	Operating Fund	Reserve Fund	**2013**	2012 *(4 months)*
NET ASSETS - BEGINNING OF YEAR	$ (29,065)	$ -	**$ (29,065)**	$ -
Excess (deficiency) of revenues over expenses	44,428	-	**44,428**	(29,065)
NET ASSETS - END OF YEAR	$ 15,363	$ -	**$ 15,363**	$ (29,065)

See notes to financial statements

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ADR Institute of Alberta
Statement of Financial Position
December 31, 2013

	Operating Fund	Reserve Fund	**2013**	2012 *(4 months)*
ASSETS				
CURRENT				
Cash in bank *(Note 10)*	$ 34,048	$ -	**$ 34,048**	$ 24,450
Investments *(Note 11)*	6,011	-	**6,011**	6,000
Accounts receivable	14,940	-	**14,940**	41,465
Prepaid expenses *(Note 12)*	11,481	-	**11,481**	11,441
	66,480	-	**66,480**	83,356
TANGIBLE CAPITAL ASSETS *(Note 13)*	19,832	-	**19,832**	21,820
	$ 86,312	$ -	**$ 86,312**	$ 105,176
LIABILITIES AND NET ASSETS				
CURRENT				
Accounts payable and accrued liabilities	$ 23,610	$ -	**$ 23,610**	$ 17,515
Due to ADRI	-	-	**-**	5,110
Goods and service tax payable	3,244	-	**3,244**	6,964
Loans payable *(Note 14)*	10,075	-	**10,075**	30,000
Loan interest payable	-	-	**-**	152
Deferred revenue *(Note 15)*	34,020	-	**34,020**	74,500
	70,949	-	**70,949**	134,241
NET ASSETS				
Unrestricted operating fund	15,363	-	**15,363**	(29,065)
	$ 86,312	$ -	**$ 86,312**	$ 105,176

COMMITMENTS *(Note 16)*

ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

See notes to financial statements

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ADR Institute of Alberta

Statement of Cash Flows

Year Ended December 31, 2013

		2013		2012
OPERATING ACTIVITIES				
Excess (deficiency) of revenues over expenses	**$**	**44,428**	$	(29,065)
Items not affecting cash:				
Amortization		**6,393**		3,318
		50,821		(25,747)
Changes in non-cash working capital:				
Accounts receivable		**26,525**		(41,465)
Prepaid expenses		**(40)**		(11,441)
Accounts payable and accrued liabilities		**6,096**		29,588
Due to ADRI		**(5,110)**		-
Goods and service tax payable		**(3,720)**		-
Loan interest payable		**(152)**		152
Deferred revenue		**(40,480)**		74,500
		(16,881)		51,334
Cash flow from operating activities		**33,940**		25,587
INVESTING ACTIVITY				
Purchase of capital assets		**(4,405)**		(25,137)
Cash flow used by investing activity		**(4,405)**		(25,137)
FINANCING ACTIVITY				
		-		-
Loans payable		**(19,926)**		30,000
Cash flow from (used by) financing activity		**(19,926)**		30,000
INCREASE IN CASH FLOW		**9,609**		30,450
Cash - beginning of year		**30,450**		-
CASH - END OF YEAR	**$**	**40,059**	$	30,450
CASH AND CASH EQUIVALENTS CONSISTS OF:				
Cash in bank *(Note 10)*	**$**	**34,048**	$	24,450
Investments *(Note 11)*		**6,011**		6,000
	$	**40,059**	$	30,450

See notes to financial statements

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1. NATURE OF OPERATIONS

ADR Institute of Alberta (the "Society") is a non-profit organization incorporated under the Societies Act of Alberta on May 24, 2012. The Society is dedicated to the promotion of alternative dispute solutions and provides leadership in conflict resolution in the areas of Negotiation, Mediation, and Arbitration and addressing harm through processes like Restorative Justice.

The Society is a tax-exempt organization for income tax purposes and has therefore made no provision for income taxes in these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided annually at the following rates and methods over the estimated useful lives of the assets as follows, except in the year of acquisition when one-half of the rate is used:

Furniture and equipment	20%	declining balance method
Computer equipment	30%	declining balance method

Cash and cash equivalents

The Society is to present bank balances and term deposits with a maturity period of three months or less from the date of acquisition under cash and cash equivalents.

Contributed services

Volunteer services contributed on behalf of the Society in carrying out its operating activities are not recognized in these financial statements due to the difficulty of determining their fair value.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fund accounting

The Society follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the Society's operating and administrative activities.

The Reserve Fund accounts for special projects and activities that will be of benefit to the membership of the Society.

Revenue recognition

Restricted contributions relating to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted investment income is recognized as revenue when earned.

Program fees are recognized in the year in which the programs are performed.

Membership fees are recognized in the year for which the membership applies.

Statement of cash flows

The Society uses the indirect method in preparing the statement of cash flows.

Use of estimates

When preparing financial statements according to ASNPO, we are required to make estimates and assumptions relating to:

- reported amounts of revenues and expenses for the year;
- reported amounts of assets and liabilities; and
- disclosure of contingent assets and liabilities at the report date.

We base our assumptions on a number of factors, including historical experience, current events and actions that the Society may undertake in the future, and other assumptions believed reasonable under the circumstances. We periodically review these estimates and, accordingly, adjustments made to these estimates are taken into income in the year in which it is determined. These estimates are subject to measurement uncertainty, and actual results may therefore differ from those estimates.

3. FINANCIAL INSTRUMENTS

The Society's financial instruments consist of cash, term deposits, accounts receivable, and accounts payable and accrued liabilities. Unless otherwise indicated, it is management's opinion that the Society is not exposed to significant interest or credit risks arising from these financial statements. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Credit risk

The Society's exposure to credit risk is principally derived from cash in bank, investments, accounts receivable. Cash and investments are deposited with chartered banks to limit the credit risk exposure. Accounts receivable are due from customers who obtained educational programs and membership dues as at the year ended and are not considered to be significant. As a result, it is management's opinion that the organization is not exposed to significant credit risks.

Fair value

The fair value of these financial instruments approximate their carrying value due to the immediate or short term maturity of these financial instruments.

Currency risk

The Society does not have any significant currency risk.

Interest rate risk

It is management's opinion that the Society is not exposed to significant interest rate risk.

4. PROGRAM FEES

Program fees consist of the following:

	2013	2012
Certificate programs	**$ 373,182**	$ 94,853
Groups	**101,002**	1,212
Application fee	**10,375**	-
Assessments	**4,375**	2,550
Equivalency	**395**	-
Instructor contracts	**-**	5,585
	$ 489,329	$ 104,200

5. MEMBERSHIP FEES

Membership fees consist of the following:

		2013		2012
Full member	**$**	**88,215**	$	34,045
Associate member		**18,940**		7,750
Administration fee		**7,750**		3,150
National Rules administration		**4,441**		-
Corporate member		**3,090**		-
Affiliate		**650**		-
Designation application fee		**-**		1,477
	$	**123,086**	$	46,422

6. EXCLUSIVE LICENSE AGREEMENTS

Exclusive license agreements consist of the following:

		2013		2012
Alberta Arbitration and Mediation Society	**$**	**13,800**	$	-
Specialty Course		**13,500**		-
MTI Materials		**5,280**		6,300
	$	**32,580**	$	6,300

7. COURSE DESIGN CONSULTING FEES

Course design consulting fees consist of the following:

		2013		2012
Professional Home Builders Institute of Alberta	**$**	**15,750**	$	15,750
ADR Institute of Canada Inc.		**10,000**		20,000
	$	**25,750**	$	35,750

8. CAMVAP CONTRACT DELIVERY

CAMVAP contract delivery consists of the following:

		2013		2012
Wages and benefits	**$**	**48,132**	$	16,715

9. MEMBER SERVICE DELIVERY

Member service delivery consists of the following:

	2013	2012
Wages and benefits	**$ 41,809**	$ 34,514

10. CASH IN BANK

The Society's cash is held in an account at a chartered bank.

11. INVESTMENTS

Investments consist of the following:

	2013	2012
TD Bank Guaranteed Investment Certificate; interest at 0.8%; matures on December 6, 2013	**$ -**	$ 6,000
TD Savings account	**6,011**	-
	$ 6,011	$ 6,000

12. PREPAID EXPENSES

Prepaid expenses consist of the following:

	2013	2012
Insurance - Commercial, Board and Directors	**$ 4,729**	$ 4,689
Rent deposit - North Calgary Business Centre	**3,300**	3,300
- Keywest Capital Corp.	**3,452**	3,452
	$ 11,481	$ 11,441

13. CAPITAL ASSETS

	Cost	Accumulated amortization	**2013 Net book value**	2012 Net book value
Furniture and equipment	$ 9,038	$ 2,530	**$ 6,508**	$ 8,135
Computer equipment	20,505	7,181	**13,324**	13,685
	$ 29,543	$ 9,711	**$ 19,832**	$ 21,820

14. LOANS PAYABLE

An agreement was signed on July 1, 2012, due to the Alberta Arbitration and Mediation Society (AAMS). Interest is at 1.5% repayable on or before December 31, 2014. The term of the loan was extended from December 31, 2013 to December 31, 2014 as agreed between ADRIA and AAMS.

15. DEFERRED REVENUE

Deferred revenue and fees received in advance consist of the following:

	2013	2012
Memberships	**$ -**	$ 2,675
Education programs deliverable	**30,395**	57,950
CAMVAP contract revenue	**3,625**	3,625
Directory	**-**	10,250
	$ 34,020	$ 74,500

16. COMMITMENTS

During the year the Society entered into a rental facility agreement with the Concordia University College of Alberta. The term of the agreement became effective on June 1, 2013 and will continue until May 31, 2016. For the use of space and access to services, the Society will pay Concordia a rental fee of twenty-five thousand dollars ($25,000) per year plus applicable taxes.

During the year, the Society entered into an equipment lease agreement with National Leasing for a telephone system. The term of the lease commenced on October 1, 2013 for a period of 40 months. The monthly lease payment is $152.56 plus GST.

17. CAPITAL MANAGEMENT

The Society's primary objective to managing capital is to ensure that necessary funding is in place to undertake its mission. The Society manages capital through an annual budgeting process and continuous monitoring of revenues and expenditures against the budget.

18. INCOME TAXES

The Society is a not-for-profit organization incorporated under the Societies Act. It is exempt from tax under Section 149(1)(l).