



Financial Statements

Imagine Canada

December 31, 2010

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Independent Auditors' Report

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To the Members of

Imagine Canada

We have audited the accompanying financial statements of Imagine Canada which comprise the balance sheet as at December 31, 2010, the statements of revenue and expenses and 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 generally accepted accounting principles, 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 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Imagine Canadaas at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles

Toronto, Ontario
April 14, 2011

Grant Thornton LLP

Chartered Accountants
Licensed Public Accountants

Imagine Canada

Statement of Revenue and Expenses

Year Ended December 31

2010

2009

Revenue

Project grants	\$ 1,724,771	\$ 1,491,070
Donations and sponsorships	806,092	677,558
Publications and on-line subscriptions	458,247	472,863
Membership fees	908,572	815,378
Conferences and seminars	141,418	99,537
Other	29,418	50,211
Amortization of deferred capital contributions (Note 7)	4,067	5,143
	<u>4,072,585</u>	<u>3,611,760</u>

Expenses

Salaries and benefits (Note 12)	2,376,790	1,960,153
Consulting and professional fees	507,010	601,662
Occupancy	364,497	360,511
Travel and meetings	306,408	294,285
Printing and promotion	167,363	151,035
Office supplies	120,102	138,747
Amortization	100,896	83,446
Other	20,400	20,350
	<u>3,963,466</u>	<u>3,610,189</u>

Excess of revenue over expenses
before the undernoted item

109,119 1,571

Investment income

33,497 144,484

Excess of revenue over expenses

\$ 142,616 \$ 146,055

See accompanying notes to the financial statements.

Imagine Canada
Statement of Changes in Net Assets

Year Ended December 31

	<u>Endowments</u>	<u>Unrestricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
Balance, beginning of year	\$ 528,251	\$ (209,058)	\$ 319,193	\$ 173,138
Transfer of Bienewski Endowment to deferred contributions (Notes 6 and 10)	(97,570)	-	(97,570)	-
Investment income on endowments in excess of amount available for spending (Note 10)	12,418	-	12,418	-
Excess of revenue over expenses	<u>-</u>	<u>142,616</u>	<u>142,616</u>	<u>146,055</u>
Balance, end of year	\$ <u>443,099</u>	\$ <u>(66,442)</u>	\$ <u>376,657</u>	\$ <u>319,193</u>

See accompanying notes to the financial statements.

Imagine Canada

Balance Sheet

December 31

2010

2009

Assets

Current

Cash and cash equivalents	\$ 943,800	\$ 710,242
Receivables	440,932	220,389
Other assets	<u>60,354</u>	<u>42,790</u>
	1,445,086	973,421

Investments (Note 3)	464,036	1,141,568
Capital assets (Note 4)	<u>255,953</u>	<u>307,375</u>
	\$ 2,165,075	\$ 2,422,364

Liabilities

Current

Payables and accruals	\$ 340,935	\$ 191,952
Deferred revenue (Note 5)	859,937	729,574
Deferred contributions (Note 6)	338,226	885,567
Current portion of leasehold improvement advance (Note 9)	17,378	16,040
Current portion of capital lease obligation (Note 11)	<u>12,754</u>	<u>11,894</u>
	1,569,230	1,835,027

Deferred rent	70,304	66,857
Deferred capital contributions (Note 7)	1,569	5,636
Deferred contribution – Estate of Margery Warren (Note 8)	-	17,261
Leasehold improvement advance (Note 9)	143,638	162,053
Capital lease obligation (Note 11)	<u>3,677</u>	<u>16,337</u>
	1,788,418	2,103,171

Net Assets

Endowments (Note 10)	443,099	528,251
Unrestricted	<u>(66,442)</u>	<u>(209,058)</u>
	376,657	319,193
	\$ 2,165,075	\$ 2,422,364

Commitments (Note 11)

On behalf of the Board

_____ Director _____ Director

See accompanying notes to the financial statements.

Imagine Canada

Statement of Cash Flows

Year Ended December 31

2010

2009

Increase (decrease) in cash and cash equivalents

Operating activities		
Excess (deficiency) of revenue over expenses	\$ 142,616	\$ 146,055
Investment income on endowments	12,418	-
Gain on sale of investments	10,167	-
Amortization of		
Property and equipment	100,896	83,446
Deferred rent	3,447	14,474
Deferred capital contributions	<u>(4,067)</u>	<u>(4,364)</u>
	265,477	225,137
Change in non-cash operating working capital		
Receivables	(220,543)	55,275
Other assets	(17,564)	(5,586)
Payables and accruals	148,983	(102,632)
Deferred revenue	130,363	(39,493)
Deferred contributions	(644,911)	414,321
Net change in deferred contribution		
– Estate of Margery Warren	<u>(17,261)</u>	<u>(142,442)</u>
	<u>(355,456)</u>	<u>404,580</u>
Financing activities		
Repayment of leasehold improvement advance	(17,077)	(14,274)
Repayment of capital lease obligation	<u>(11,800)</u>	<u>(8,066)</u>
	<u>(28,877)</u>	<u>(7,866)</u>
Investing activities		
Purchase of capital assets	(49,474)	(37,150)
Proceeds from sales of investments	797,570	536,300
Purchase of investments	<u>(130,205)</u>	<u>(380,000)</u>
	<u>617,891</u>	<u>119,150</u>
Net increase in cash and cash equivalents	233,558	515,864
Cash and cash equivalents, beginning of year	<u>710,242</u>	<u>194,378</u>
Cash and cash equivalents, end of year	\$ <u>943,800</u>	\$ <u>710,242</u>

See accompanying notes to the financial statements.

Imagine Canada

Notes to the Financial Statements

December 31, 2010

1. Nature of operations

Imagine Canada is a national organization dedicated to advancing knowledge and relationships to foster effective and sustainable charitable and non-profit organizations. Imagine Canada was incorporated as The Canadian Centre for Philanthropy (the "Centre") under the Canada Corporations Act on August 11, 1981. On January 11, 2005, the Centre began operating under the brand name of Imagine Canada, and its name was changed to Imagine Canada by supplementary letters patent, on September 12, 2007.

Imagine Canada is registered as a charitable organization under the Income Tax Act (Canada) (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

Revenue recognition

Imagine Canada follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Endowments consist of externally restricted contributions received where the principal is required or intended to be maintained in perpetuity. Endowment contributions are recognized as direct increases in net assets.

Investment income including realized and unrealized gains and losses is recognized as revenue when earned, except to the extent that the income must be added to endowment net assets.

Membership fees and on-line directory subscriptions relating to the period subsequent to year-end are recorded as deferred revenue.

Financial Instruments

All financial instruments included on the balance sheet are classified as either held for trading, loans and receivables, or other financial liabilities categories and are measured at fair value on initial recognition. After initial recognition, the financial instruments are measured at their fair values, except for loans and receivables and other financial liabilities, which are measured at amortized cost.

Imagine Canada has classified its cash and cash equivalents and investments as held for trading. Receivables are classified as loans and receivables. Payables and accruals are classified as other financial liabilities.

Imagine Canada

Notes to the Financial Statements

December 31, 2010

2. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term investments in Money Market Funds.

Investments

Short and long term investments are stated at fair value.

Investments are deemed to be held for trading. They are held in pooled funds and not individual securities. Investments are reported on the balance sheet at pooled fund unit market values, and are marked to market monthly.

Capital assets

Purchased capital assets are stated at acquisition cost. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	-	over term of lease
Equipment	-	3 years
Equipment under capital lease	-	3 years
Furniture and fixtures	-	3 years

Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of revenue and expenses at rates corresponding to the amortization rates for the related capital assets.

Contributed materials and services

Volunteers contribute an indeterminable number of hours per year. Because of the difficulty of determining the fair market value of contributed services, they are not recognized in the financial statements. Contributed materials are also not recognized in the financial statements.

Use of estimates

In preparing these financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dated of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Imagine Canada

Notes to the Financial Statements

December 31, 2010

3. Investments

The investments are held by the Toronto Community Foundation in pooled funds and the asset mix is as follows:

	<u>2010</u>	<u>2009</u>
Cash	1.6%	2.1%
Bonds	33.3%	33.4%
Canadian Equities	26.8%	29.0%
Global Equities	37.2%	34.4%
Other	<u>1.1%</u>	<u>1.1%</u>
	<u>100.0%</u>	<u>100.0%</u>

4. Capital assets

			<u>2010</u>	<u>2009</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Leasehold improvements	\$ 258,122	\$ 87,285	\$ 170,837	\$ 195,102
Equipment	181,041	114,766	66,275	82,471
Furniture and fixtures	3,056	646	2,410	1,571
Equipment under capital lease	<u>36,297</u>	<u>19,866</u>	<u>16,431</u>	<u>28,231</u>
	<u>\$ 478,516</u>	<u>\$ 222,563</u>	<u>\$ 255,953</u>	<u>\$ 307,375</u>

5. Deferred revenue

	<u>2010</u>	<u>2009</u>
Membership fees	\$ 572,564	\$ 452,242
On-line directory subscriptions and publications	<u>287,373</u>	<u>277,332</u>
	<u>\$ 859,937</u>	<u>\$ 729,574</u>

6. Deferred contributions

	<u>2010</u>	<u>2009</u>
Deferred contributions represent unspent externally restricted grants and donations for various purposes. The changes in the deferred contributions balance are as follows:		
Balance, beginning of year	\$ 885,567	\$ 471,246
Amount received or receivable during the year	1,786,908	2,088,995
Transfer of Bienewski Endowment (Note 10)	97,570	-
Revenue recognized during the year	<u>(2,431,819)</u>	<u>(1,674,674)</u>
	<u>\$ 338,226</u>	<u>\$ 885,567</u>

Imagine Canada

Notes to the Financial Statements

December 31, 2010

7. Deferred capital contributions	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 5,636	\$ 10,000
Contributions received restricted for capital purposes	-	779
Amortization	<u>(4,067)</u>	<u>(5,143)</u>
	\$ <u>1,569</u>	\$ <u>5,636</u>

8. Deferred contribution – Estate of Margery Warren	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 17,261	\$ 159,703
Revenue recognized during the year	<u>(17,261)</u>	<u>(142,442)</u>
	\$ <u>-</u>	\$ <u>17,261</u>

Deferred contribution – Estate of Margery Warren represents the unamortized amount of the donation received to be used for the benefit of the Imagine Canada John Hodgson Library. (See Note 10).

9. Leasehold improvement advance	<u>2010</u>	<u>2009</u>
Leasehold improvement advance	\$ 161,016	\$ 178,093
Less current portion	<u>(17,378)</u>	<u>(16,040)</u>
	\$ <u>143,638</u>	\$ <u>162,053</u>

In March 2007 Imagine Canada entered into a lease for new premises. As an inducement to enter into the lease, the landlord agreed to fund the leasehold improvements, and Imagine Canada will repay the advance over the life of the lease.

The leasehold improvements advance carries an interest rate of 8% per annum. Principal and interest payments of \$2,474 are due monthly, with payments ending in August 2017.

The repayment of principal is as follows:

2011	\$ 17,378
2012	18,828
2013	20,399
2014	22,101
2015	23,945
2016 through 2017	<u>58,365</u>
	\$ <u>161,016</u>

Imagine Canada

Notes to the Financial Statements

December 31, 2010

10. Endowments	<u>2010</u>	<u>2009</u>
a) Bienewski Donation	\$ -	\$ 97,570
Estate of Margery Warren	<u>443,099</u>	<u>430,681</u>
	\$ <u>443,099</u>	\$ <u>528,251</u>

- b) During the year, Imagine Canada received permission to release the Bienewski Donation from endowments into deferred contribution (Note 6). This restricted contribution will be recognized as revenue in the period in which the related expenses are incurred.
- c) Effective January 1, 2010, the Board established a policy with the objective of protecting the real value of the endowment net assets by limiting the amount of investment income made available for spending and requiring the reinvestment of any investment income earned in excess of this limit. The amount available for spending is calculated based on 4% of the market value of the opening balance of the individual funds. The preservation of capital is recorded as a direct increase in endowment net assets for externally endowed funds. In any year, should net investment income not be sufficient to fund the amount required for spending, an amount is transferred from endowment net assets to unrestricted net assets for this purpose.
- d) In 2005, Imagine Canada received a donation of securities with a fair value of \$1,030,681 from the Estate of Margery Warren. Pursuant to its terms, the donation is to be used for the benefit of the Imagine Canada John Hodgson Library. By the terms of the bequest, the income from the donation may be used as needed, \$600,000 of the capital is to be treated as a deferred contribution to be used as needed (Note 8) and the remaining amount is to be treated as an endowment with an indefinite life.

11. Lease commitments

- a) Imagine Canada is committed under the terms of operating leases for office premises and equipment. Equipment leases expire on or before September, 2011, the Toronto premises lease expires August 31, 2017, and the Ottawa premises lease expires January 31, 2012.

Payments, inclusive of estimated operating costs and realty taxes, approximate the following:

2011	\$ 344,000
2012	286,000
2013	298,000
2014	295,000
2015	290,000
2016 and subsequent years	<u>466,000</u>
	\$ <u>1,979,000</u>

Imagine Canada

Notes to the Financial Statements

December 31, 2010

11. Lease commitments (continued)

- b) The following is a schedule of the future minimum lease payments of the capital leases with interest rates of 7% expiring in 2012 together with the balance of the obligations:

Capital lease	
2011	\$ 13,535
2012	<u>4,512</u>
Total minimum payment	18,046
Less: amount representing interest	<u>1,615</u>
	16,431
Less: current portion	<u>12,754</u>
	\$ <u>3,677</u>

12. Employee future benefits

Imagine Canada sponsors a registered defined contribution pension plan for all full time employees. Current service costs under the defined contribution pension plan are charged to expense as they accrue. The total expense related to this plan for the year ended December 31, 2010 was \$49,400 (2009 - \$41,400).

13. Financial instruments

Imagine Canada's financial instruments consist of cash and cash equivalents, receivables, investments, and payables and accruals. Unless otherwise noted, it is management's opinion that Imagine Canada is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

14. Capital

Imagine Canada's main objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide services and benefits to members and other stakeholders.

The capital structure of Imagine Canada consists of net assets comprised of unrestricted deficit and endowments. Imagine Canada manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Imagine Canada is not subject to any externally imposed capital requirements, however, some grants, donations and endowments have conditions setting out the activities or other expenditures for which the funds must be used.