Imagine Canada

Financial Statements

December 31, 2016

Contents

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INDEPENDENT AUDITOR'S REPORT

To the Members of Imagine Canada

We have audited the accompanying financial statements of Imagine Canada, which comprise the statement of financial position as at December 31, 2016 and 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 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 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 auditor's judgement, 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 Canada as at December 31, 2016, 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.

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
May 9, 2017

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Imagine Canada

Statement of Revenue & Expenses and Changes in Net Assets

Year Ended December 31	**2016**	2015
Revenue		
Subscriptions	**$1,147,588**	$1,031,986
Fees	**924,916**	986,284
Project grants	**499,296**	827,600
Donations	**460,910**	540,249
Sponsorships	**73,749**	99,417
Amortization of deferred capital contributions (note 8)	**27,924**	177,105
Other	**90,826**	41,913
	3,225,209	3,704,554
Expenses		
Salaries and benefits	**2,041,273**	2,509,558
Consulting and professional fees	**323,655**	162,704
Occupancy	**271,428**	293,119
Amortization of capital assets	**232,051**	390,775
Travel and meetings	**153,360**	230,979
Office supplies	**75,397**	106,163
Printing and promotion	**68,238**	54,899
Loss on asset retirement (note 11)	**6,214**	-
Other	**7,860**	24,530
	3,179,476	3,772,727
Excess (deficiency) of revenue over expenses before the following:	**45,733**	(68,173)
Restructuring costs	**-**	(262,258)
Excess (deficiency) of revenue over expenses	**45,733**	(330,431)
Deficit, beginning of year	**(543,094)**	(212,663)
Deficit, end of year	**$ (497,361)**	$ (543,094)

See accompanying notes

Imagine Canada

Statement of Financial Position

December 31	**2016**	2015
Assets		
Current		
Cash	**$ 975,072**	$ 395,535
Accounts receivable	**37,158**	99,228
Prepaid expenses	**94,287**	151,338
	1,106,517	646,101
Software (note 3)	**291,487**	636,476
Furniture and equipment (note 3)	**127,144**	99,965
	$ 1,525,148	$ 1,382,542
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 214,603**	$ 297,559
Note payable (note 4)	**59,555**	111,218
Loan payable (note 5)	**89,010**	80,233
Deferred revenue (note 6)	**1,052,529**	1,077,548
Deferred contributions (note 7)	**606,812**	177,616
	2,022,509	1,744,174
Deferred capital contributions (note 8)	**-**	181,462
	2,022,509	1,925,636
Net Assets		
Deficit	**(497,361)**	(543,094)
	$ 1,525,148	$ 1,382,542

On behalf of the Board

______________________________ Director ______________________________ Director

See accompanying notes

Imagine Canada

Statement of Cash Flows

Year Ended December 31	2016	2015
Increase (decrease) in cash		
Operating activities		
Excess (deficiency) of revenue over expenses	**$ 45,733**	$ (330,431)
Add (deduct) items not involving cash:		
Amortization of capital assets	**232,051**	390,775
Amortization of deferred capital contributions	**(27,924)**	(177,105)
Loss on asset retirement (note 11)	**6,214**	-
	256,074	(116,761)
Change in non-cash operating working capital balances:		
Accounts receivable	**62,070**	146,626
Prepaid expenses	**57,051**	63,287
Accounts payable and accrued liabilities	**(82,956)**	91,417
Deferred revenue	**(25,019)**	(50,196)
Deferred contributions	**429,196**	(278,004)
	440,342	(26,870)
	696,416	(143,631)
Financing activities		
Repayment of note payable (note 4)	**(51,663)**	(49,768)
Advance of loan payable (note 5)	**32,627**	83,000
Repayment of loan payable (note 5)	**(23,850)**	(2,767)
	(42,886)	30,465
Investing activities		
Purchase of capital assets	**(73,993)**	(129,616)
Net increase (decrease) in cash	**579,537**	(242,782)
Cash, beginning of year	**395,535**	638,317
Cash, end of year	**$ 975,072**	$ 395,535

See accompanying notes

1. Nature of operations

Imagine Canada is a national charitable organization whose cause is Canada's charities and nonprofits. Its four Strategic Directions are to: amplify the sector's voice; ensure the sector's relevance; influence the sector's environment; and, elevate the sector's excellence.

Imagine Canada is a non-share capital corporation under the Canada Not-for-profit Corporations Act. It is registered as a charitable organization under the *Income Tax Act (Canada)* with Charitable Registration Number 11921 8790 RR0001. As such, it is exempt from income taxes and is able to issue charitable donation receipts for income tax purposes.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Part III of the CPA Canada Handbook – Accounting, which sets out generally accepted accounting principles for nonprofit organizations in Canada and includes the significant accounting policies summarized below.

Revenue recognition

Imagine Canada follows the deferral method of accounting for contributions, which include grants and donations. Grants are recognized in the accounts when received, or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Donations are recorded when received, since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when recorded in the accounts. Externally restricted contributions are deferred when recorded in the accounts and recognized as revenue in the period in which the restrictions are met.

Fees, subscriptions and sponsorship revenues are recognized as services are provided, or as otherwise earned.

Financial instruments

Financial instruments, including cash, accounts receivable, accounts payable and accrued liabilities, loan payable and note payable, are initially recorded at their fair value and are subsequently measured at cost or amortized cost, net of any provisions for impairment.

Employee future benefits

Contributions to a group Registered Retirement Savings Plan are recognized on an accrual basis.

Cash

Cash includes balances with banks, and cash on hand.

Contributed services and materials

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.

2. Summary of significant accounting policies (continued)

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value when contributed. Costs related to internally developed software are capitalized during the period in which capital assets are being developed.

Amortization is determined using the straight-line method over the estimated useful lives of the assets, once placed into service, as follows:

Software	5 years
Furniture	10 years
Equipment	5 years

3. Capital assets

	2016		
	Cost	Accumulated Amortization	**Net Book Value**
Software	$1,049,063	$757,576	**$291,487**
Furniture	$ 104,136	$ 20,215	**$ 83,921**
Equipment	63,508	20,285	**43,223**
	$ 167,644	$ 40,500	**$127,144**

	2015		
	Cost	Accumulated Amortization	Net Book Value
Software	$1,892,935	$1,256,459	$636,476
Furniture	$ 101,096	$ 9,728	$ 91,368
Equipment	20,263	11,666	8,597
	$ 121,359	$ 21,394	$ 99,965

4. Note payable

Imagine Canada has a loan facility with The Muttart Foundation. Under this facility, $200,000 was advanced prior to 2014, and no further advances are permitted. The balance is repayable on demand, and bears interest at 3% per annum. During the year, the third scheduled repayment of $55,000 was made, with the payment first covering accrued interest and the remainder applied to principal. The remaining balance is due on December 31, 2017.

5. Loan payable

In 2015, Imagine Canada negotiated a lending facility with the Royal Bank of Canada, with the arrangement structured as sales/leasebacks of the organization's furniture and equipment. Under the facility, funds are advanced in exchange for transfer of legal title of identified furniture and equipment to the bank. Blended monthly payments are made for the terms (furniture – 5 years; equipment – 3 years) of the agreements. At the end of the lending term, legal title of the assets reverts to Imagine Canada.

In 2016, $32,627 (2015 – $83,000) was advanced in respect of furniture and equipment with an original cost of $32,627 (2015 – $83,000). The amounts are being repaid in blended monthly payments of $2,511 (2015 – $1,544), including interest calculated at 3.8%, over three to five years. Required payments, including principal, interest and taxes, are as follows:

2017	$ 30,128
2018	30,128
2019	22,393
2020	16,981
	$ 99,630

6. Deferred revenue

	2016	2015
Fees	**$ 651,624**	$ 690,937
Subscriptions	**390,905**	376,611
Sponsorships	**10,000**	10,000
	$1,052,529	$1,077,548

7. Deferred contributions

Deferred contributions represent unspent externally restricted project grants and donations. The changes in the deferred contributions balance are as follows:

	2016	2015
Balance, beginning of year	**$ 177,616**	$ 455,620
Amount recorded in the accounts during the year	**1,032,619**	519,000
Revenue recognized during the year	**(603,423)**	(797,004)
Balance, end of year	**$ 606,812**	$ 177,616

8. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of grants received for the purchase or development of capital assets. Deferred capital contributions are amortized on the same basis as the related capital assets.

	2016	2015
Balance, beginning of year	**$181,462**	$358,567
Amortization during the year	**(27,924)**	(177,105)
Balance recognised during 2016 (note 11)	**(153,537)**	-
Balance, end of year	**$ -**	$181,462

9. Lease activity and commitments

Imagine Canada is committed under the terms of operating leases for office premises.

In 2014, the organization subleased its previous Toronto premises for the balance of the lease term, which expires August 31, 2017, with the income from the sublease offsetting the related lease costs. Imagine Canada entered into a new premises lease agreement commencing February 1, 2015, which expires January 31, 2025.

Payments, including estimated operating costs and realty taxes, are as follows:

	Lease Commitments	Sublease Income	Net Commitment
2017	$ 402,000	$ 201,000	$ 201,000
2018	201,000	-	201,000
2019	201,000	-	201,000
2020	213,000	-	213,000
2021	213,000	-	213,000
Thereafter	640,000	-	640,000
	$1,870,000	$ 201,000	$1,669,000

10. Financial instruments

Imagine Canada is exposed to the following potentially significant financial risks through transactions in financial instruments:

> *Credit risk*: Imagine Canada is exposed to credit risk in connection with its accounts receivable and the sublease of its premises to a third party, because of the risk that other parties will fail to discharge their obligations.
>
> *Liquidity risk*: Imagine Canada is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities.

11. Asset Retirement

During the year, Imagine Canada retired its Charity Focus charity information reporting website and its T3010 QuickPrep online tool. At the time of the retirement, the unamortized balance of these software assets was written off. Also at this time, the unamortized balance of the deferred capital contributions, which had substantially funded their development, was recognised as income, resulting in the following:

Unamortized balance of software	$159,751
Less: Unamortized balance of deferred capital contributions	(153,537)
Net loss on asset retirement	$ 6,214