



Financial Statements

December 31, 2020



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INDEPENDENT AUDITOR'S REPORT

To the Members of Imagine Canada

Opinion

We have audited the financial statements of Imagine Canada (the "Organization"), which comprise the statement of financial position as at December 31, 2020 and the statements of revenue and expenses and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2020, and results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
May 3, 2021
Toronto, Ontario



Statement of Revenue and Expenses and Changes in Net Assets

Year Ended December 31	2020	2019
Revenue		
Earned income	\$ 1,955,451	\$ 2,010,743
Unrestricted contributions	613,256	476,431
Restricted contributions (note 5)	565,511	918,630
Membership fees	410,210	434,592
Government pandemic assistance (note 6)	496,311	-
Other	<u>41,605</u>	<u>98,730</u>
	<u>4,082,344</u>	<u>3,939,125</u>
Expenses		
Salaries and benefits	2,687,419	2,562,819
Consulting and professional fees	537,449	339,143
Information technology and office costs	249,304	219,348
Occupancy	229,122	230,268
Amortization of capital assets	209,254	72,417
Events, meetings, and travel	59,380	280,507
Bank fees and interest	41,682	35,820
Advertising, promotion, and print	36,097	173,232
Other	<u>1,742</u>	<u>2,939</u>
	<u>4,051,449</u>	<u>3,916,493</u>
Excess of revenue over expenses	30,895	22,632
Deficit, beginning of year	<u>(187,574)</u>	<u>(210,206)</u>
Deficit, end of year	<u>\$ (156,679)</u>	<u>\$ (187,574)</u>

See accompanying notes



Statement of Financial Position

As At December 31 2020 2019

Assets		
Current		
Cash and cash equivalents	\$ 1,249,169	\$ 805,592
Accounts receivable	84,024	78,909
Prepaid expenses	<u>84,984</u>	<u>64,316</u>
	1,418,177	948,817
Software (note 3)	819,928	794,335
Furniture and equipment (note 3)	<u>92,256</u>	<u>121,445</u>
	<u>\$ 2,330,361</u>	<u>\$ 1,864,597</u>

Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 310,079	\$ 212,747
Note payable (note 4)	200,000	200,000
Deferred revenue	1,192,365	1,280,462
Deferred contributions (note 5)	<u>784,596</u>	<u>358,962</u>
	<u>2,487,040</u>	<u>2,052,171</u>

Net Assets		
Deficit	<u>(156,679)</u>	<u>(187,574)</u>
	<u>\$ 2,330,361</u>	<u>\$ 1,864,597</u>

Commitments (note 7)

On behalf of the Board

 Director

 Director

See accompanying notes



Statement of Cash Flows

Year Ended December 31

2020

2019

Increase (decrease) in cash

Operating activities

Excess of revenue over expenses	\$ 30,895	\$ 22,632
Add (deduct) items not involving cash:		
Amortization of capital assets	<u>209,254</u>	<u>72,417</u>
	<u>240,149</u>	<u>95,049</u>
Change in non-cash operating working capital balances:		
Accounts receivable	(5,115)	(25,338)
Prepaid expenses	(20,668)	(6,581)
Accounts payable and accrued liabilities	97,332	(12,608)
Deferred revenue	(88,097)	63,409
Deferred contributions	<u>425,634</u>	<u>100,593</u>
	<u>409,086</u>	<u>119,475</u>
	<u>649,235</u>	<u>214,524</u>

Financing activities

Advance on note payable	<u>-</u>	<u>200,000</u>
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Investing activities

Purchase of capital assets	<u>(205,658)</u>	<u>(428,850)</u>
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Net increase (decrease) in cash

443,577 (14,326)

Cash and cash equivalents, beginning of year

805,592 819,918

Cash and cash equivalents, end of year

\$ 1,249,169 \$ 805,592

See accompanying notes



Notes to the Financial Statements

December 31, 2020

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: engage the sector's influencers; 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 recorded 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. Externally restricted contributions are deferred when recorded, and recognized as revenue in the period in which the restrictions are met.

Earned income includes program fees, subscriptions, sponsorships, and advertising revenues, which are recognized as services are provided, or as otherwise earned. Membership fees are recognized over the underlying period of membership.

Use of Estimates

Management makes estimates and assumptions that affect the amounts reported in these financial statements, and actual amounts could differ from those estimates. Estimates relate primarily to: the staff time allocated to various projects and the related recognition of project revenue; the staff time allocated to software development; and, the amortization of capital assets, which is based on their estimated useful lives.

Financial instruments

Financial instruments, including accounts receivable, accounts payable and accrued liabilities, 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.



Notes to the Financial Statements

December 31, 2020

2. Summary of significant accounting policies (continued)

Employee future benefits

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

Cash and cash equivalents

Cash and cash equivalents includes balances with banks, cashable GICs, 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.

Capital assets

Purchased capital assets are recorded at cost. Costs related to custom-developed software are capitalized during the period in which it is 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

	2020		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Software	<u>\$ 2,071,320</u>	<u>\$ 1,251,392</u>	<u>\$ 819,928</u>
Furniture	<u>\$ 130,047</u>	<u>\$ 69,354</u>	<u>\$ 60,693</u>
Equipment	<u>96,297</u>	<u>64,734</u>	<u>31,563</u>
	<u>\$ 226,344</u>	<u>\$ 134,088</u>	<u>\$ 92,256</u>

Notes to the Financial Statements

December 31, 2020

3. Capital assets (continued)

		2019	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Software	<u>\$ 1,868,623</u>	<u>\$ 1,074,288</u>	<u>\$ 794,335</u>
Furniture	\$ 128,301	\$ 55,774	\$ 72,527
Equipment	<u>95,082</u>	<u>46,164</u>	<u>48,918</u>
	<u>\$ 223,383</u>	<u>\$ 101,938</u>	<u>\$ 121,445</u>

4. Note payable

The Muttart Foundation has agreed to provide a \$400,000 lending facility to support Imagine Canada's capital investment plans, and advanced \$200,000 under it. A second advance of \$200,000 is available under this facility upon Imagine Canada's request. The facility bears interest at 4% per annum, calculated and payable annually.

The principal is repayable on demand, or in accordance with the following schedule:

January 1, 2022	\$125,000
January 1, 2023	\$125,000
January 1, 2024	\$150,000

5. Deferred contributions

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

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 358,962	\$ 258,369
Amount recorded in the accounts during the year	991,145	1,019,223
Revenue recognized during the year	<u>(565,511)</u>	<u>(918,630)</u>
Balance, end of year	<u>\$ 784,596</u>	<u>\$ 358,962</u>



Notes to the Financial Statements

December 31, 2020

6. Government Pandemic Assistance

During the economic and societal upheaval caused by the global COVID-19 pandemic, the Federal and Provincial Governments have implemented numerous assistance programs under which Imagine Canada receives non-repayable government assistance. The amounts earned and recorded during 2020 are as follows:

Canada Emergency Wage Subsidy	\$ 483,927
Canada Emergency Rent Subsidy	<u>12,384</u>
	<u>\$ 496,311</u>

Included in accounts receivable at year-end is \$25,947 and \$12,384 for wage and rent subsidies respectively.

7. Commitments

Imagine Canada is committed under the terms of an operating lease for its Toronto office premises, which expires January 31, 2025. Payments, including estimated operating costs and realty taxes, are as follows:

2021	\$ 215,000
2022	215,000
2023	215,000
2024	215,000
2025	<u>25,000</u>
	<u>\$ 885,000</u>

8. 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, 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.



Notes to the Financial Statements

December 31, 2020

9. Reclassification

Certain of the prior year's financial statement figures have been reclassified to conform to the current year's presentation.