IMAGINE CANADA

# Financial Statements

December 31, 2021

IMAGINE CANADA

# Contents

**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, 2021 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, 2021, 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, 2022
Toronto, Ontario

IMAGINE CANADA

# Statement of Revenue and Expenses and Changes in Net Assets

| Year Ended December 31 | **2021** | 2020 |
|---|---|---|
| **Revenue** | | |
| Earned income | **$ 2,139,882** | $ 1,955,451 |
| Restricted contributions (note 5) | **836,598** | 565,511 |
| Unrestricted contributions | **551,052** | 613,256 |
| Membership fees | **391,235** | 410,210 |
| Government pandemic assistance (note 6) | **250,464** | 496,311 |
| Other | **22,457** | 41,605 |
| | **4,191,688** | 4,082,344 |
| **Expenses** | | |
| Salaries and benefits | **$ 2,379,062** | 2,687,419 |
| Consulting and professional fees | **662,508** | 537,449 |
| Information technology and office costs | **309,831** | 249,304 |
| Amortization of capital assets | **235,287** | 209,254 |
| Occupancy | **212,713** | 229,122 |
| Bank fees and interest | **42,856** | 41,682 |
| Advertising, promotion, and print | **28,988** | 36,097 |
| Events, meetings, and travel | **24,842** | 59,380 |
| Other | **4,456** | 1,742 |
| | **3,900,543** | 4,051,449 |
| **Excess of revenue over expenses** | **291,145** | 30,895 |
| **Net assets (deficit), beginning of year** | **(156,679)** | (187,574) |
| **Net assets (deficit), end of year** | **$ 134,466** | $ (156,679) |

*See accompanying notes*

IMAGINE CANADA

## Statement of Financial Position

| As At December 31 | 2021 | 2020 |
|---|---|---|
| **Assets** | | |
| **Current** | | |
| Cash and cash equivalents | **$ 1,796,093** | $ 1,249,169 |
| Accounts receivable | **40,785** | 84,024 |
| Prepaid expenses | **77,579** | 84,984 |
| | **1,914,457** | 1,418,177 |
| **Software** (note 3) | **900,092** | 819,928 |
| **Furniture and equipment** (note 3) | **68,133** | 92,256 |
| | **$ 2,882,682** | $ 2,330,361 |
| **Liabilities** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | **$ 268,184** | $ 310,079 |
| Note payable (note 4) | **200,000** | 200,000 |
| Deferred revenue | **1,368,019** | 1,192,365 |
| Deferred contributions (note 5) | **912,013** | 784,596 |
| | **2,748,216** | 2,487,040 |
| **Net Assets** | | |
| **Net assets (deficit)** | **134,466** | (156,679) |
| | **$ 2,882,682** | $ 2,330,361 |

**Commitments** (note 7)

On behalf of the Board

Director

R Ryan Director

*See accompanying notes*

IMAGINE CANADA

## Statement of Cash Flows

| Year Ended December 31 | **2021** | 2020 |
|---|---|---|
| *Increase (decrease) in cash* | | |
| **Operating activities** | | |
| Excess of revenue over expenses | **$ 291,145** | $ 30,895 |
| Add (deduct) items not involving cash: | | |
| Amortization of capital assets | **235,287** | 209,254 |
| | **526,432** | 240,149 |
| Change in non-cash operating working capital balances: | | |
| Accounts receivable | **43,239** | (5,115) |
| Prepaid expenses | **7,405** | (20,668) |
| Accounts payable and accrued liabilities | **(41,895)** | 97,332 |
| Deferred revenue | **175,654** | (88,097) |
| Deferred contributions | **127,417** | 425,634 |
| | **311,820** | 409,086 |
| | **838,252** | 649,235 |
| **Investing activities** | | |
| Purchases of capital assets | **(291,328)** | (205,658) |
| **Net increase in cash** | **546,924** | 443,577 |
| **Cash and cash equivalents, beginning of year** | **1,249,169** | 805,592 |
| **Cash and cash equivalents, end of year** | **$ 1,796,093** | $ 1,249,169 |

*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 voices; 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 assumptions and estimates 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.

## 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

| | 2021 | | |
|---|---|---|---|
| | Cost | Accumulated Amortization | **Net Book Value** |
| Software | $ 2,361,126 | $ 1,461,034 | **$ 900,092** |
| Furniture | $ 131,242 | $ 83,096 | **$ 48,146** |
| Equipment | 96,622 | 76,635 | **19,987** |
| | $ 227,864 | $ 159,731 | **$ 68,133** |

## 3. **Capital assets** (continued)

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

## 4. Note payable

The Muttart Foundation has provided a $400,000 lending facility to support Imagine Canada's capital investment plans, and advanced $200,000 under it. A second amount of $200,000 available under this facility has not been drawn upon. 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 | $ 75,000 |

## 5. Deferred contributions

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

| | **2021** | 2020 |
|---|---|---|
| Balance, beginning of year | **$ 784,596** | $ 358,962 |
| Amount recorded in the accounts during the year | **964,015** | 991,145 |
| Revenue recognized during the year | **(836,598)** | (565,511) |
| Balance, end of year | **$ 912,013** | $ 784,596 |

## 6. Government Pandemic Assistance

During the economic and societal upheaval caused by the COVID-19 pandemic, the Federal Government has implemented assistance programs under which Imagine Canada receives non-repayable government assistance. The amounts earned and recorded are as follows:

| | **2021** | 2020 |
|---|---|---|
| Canada Emergency Wage Subsidy | **$ 219,744** | $ 483,927 |
| Canada Emergency Rent Subsidy | **30,720** | 12,384 |
| | **$ 250,464** | $ 496,311 |

Included in accounts receivable at year-end is $nil (2020 - $25,947) and $nil (2020 - $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:

| | |
|---|---|
| 2022 | $ 215,000 |
| 2023 | 215,000 |
| 2024 | 215,000 |
| 2025 | 25,000 |
| | $ 670,000 |

## 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.