



Financial Statements

December 31, 2022

Contents

	Page
Independent Auditor's Report	1-2
Statement of Operations and Changes in Net Assets	3
Statement of Financial Position	4
Statement of Cash Flows	5
Notes to the Financial Statements	6-9

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, 2022 and the statements of operations 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, 2022, and its results of 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 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.

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.

THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING

- 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 8, 2023
Toronto, Ontario



Statement of Operations and Changes in Net Assets

Year Ended December 31	2022	2021
Revenue		
Earned income	\$ 2,347,495	\$ 2,139,882
Restricted contributions (note 5)	1,241,406	836,598
Unrestricted contributions	571,593	551,052
Membership fees	345,505	391,235
Government pandemic assistance (note 6)	--	250,464
Other	57,705	22,457
	<u>4,563,704</u>	<u>4,191,688</u>
Expenses		
Salaries and benefits	2,788,491	2,379,062
Consulting and professional fees	461,354	662,508
Information technology and office costs	366,242	309,831
Amortization of capital assets	291,890	235,287
Occupancy	226,704	212,713
Events, meetings, and travel	151,320	24,842
Advertising, promotion, and print	58,196	28,988
Bank fees and interest	40,115	42,856
Other	2,412	4,456
	<u>4,386,725</u>	<u>3,900,543</u>
Excess of revenue over expenses	176,979	291,145
Net assets (deficit), beginning of year	<u>134,466</u>	<u>(156,679)</u>
Net assets, end of year	<u>\$ 311,445</u>	<u>\$ 134,466</u>

See accompanying notes



Statement of Financial Position

As At December 31 2022 2021

Assets		
Current		
Cash and cash equivalents	\$ 1,507,642	\$ 1,796,093
Accounts receivable	76,094	40,785
Prepaid expenses	<u>61,549</u>	<u>77,579</u>
	1,645,285	1,914,457
Software (note 3)	1,013,887	900,092
Furniture and equipment (note 3)	<u>120,733</u>	<u>68,133</u>
	<u>\$ 2,779,905</u>	<u>\$ 2,882,682</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 313,091	\$ 268,184
Note payable (note 4)	75,000	200,000
Deferred revenue	1,393,739	1,368,019
Deferred contributions (note 5)	<u>686,630</u>	<u>912,013</u>
	<u>2,468,460</u>	<u>2,748,216</u>
Net Assets		
Net assets	<u>311,445</u>	<u>134,466</u>
	<u>\$ 2,779,905</u>	<u>\$ 2,882,682</u>

Commitments (note 7)

On behalf of the Board

Director

Director

See accompanying notes



Statement of Cash Flows

Year Ended December 31	2022	2021
<i>Increase (decrease) in cash</i>		
Operating activities		
Excess of revenue over expenses	\$ 176,979	\$ 291,145
Add (deduct) items not involving cash:		
Amortization of capital assets	<u>291,890</u>	<u>235,287</u>
	<u>468,869</u>	<u>526,432</u>
Change in non-cash operating working capital balances:		
Accounts receivable	(35,309)	43,239
Prepaid expenses	16,030	7,405
Accounts payable and accrued liabilities	44,907	(41,895)
Deferred revenue	25,720	175,654
Deferred contributions	<u>(225,383)</u>	<u>127,417</u>
	<u>(174,035)</u>	<u>311,820</u>
	<u>294,834</u>	<u>838,252</u>
Investing activities		
Purchases of capital assets	<u>(458,285)</u>	<u>(291,328)</u>
Financing activities		
Repayment of note payable	<u>(125,000)</u>	<u>--</u>
Net increase (decrease) in cash and cash equivalents	(288,451)	546,924
Cash and cash equivalents, beginning of year	<u>1,796,093</u>	<u>1,249,169</u>
Cash and cash equivalents, end of year	<u>\$ 1,507,642</u>	<u>\$ 1,796,093</u>

See accompanying notes



Notes to the Financial Statements

December 31, 2022

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: energize 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.

Notes to the Financial Statements

December 31, 2022

2. Summary of significant accounting policies (continued)

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.

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

	2022		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Software	\$ 2,743,635	\$ 1,729,748	\$ 1,013,887
Furniture	\$ 131,242	\$ 96,815	\$ 34,427
Equipment	\$ 172,401	86,095	86,306
	<u>\$ 303,643</u>	<u>\$ 182,910</u>	<u>\$ 120,733</u>

Notes to the Financial Statements

December 31, 2022

3. Capital assets (continued)

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

4. Note payable

A note payable to a private foundation, bearing interest at 4% per annum, calculated and payable annually, was repaid in full on January 1, 2023.

5. Deferred contributions

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

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 912,013	\$ 784,596
Amount recorded in the accounts during the year	1,016,023	964,015
Revenue recognized during the year	<u>(1,241,406)</u>	<u>(836,598)</u>
Balance, end of year	<u>\$ 686,630</u>	<u>\$ 912,013</u>

6. Government Pandemic Assistance

During the economic and societal upheaval caused by the COVID-19 pandemic, the Federal Government offered assistance programs under which Imagine Canada previously received non-repayable government assistance. No assistance was received in 2022 (2021 - \$250,464).



Notes to the Financial Statements

December 31, 2022

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:

2023	\$ 215,000
2024	215,000
2025	<u>25,000</u>
	<u>\$ 455,000</u>

8. Financial risk management

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

Liquidity risk: Imagine Canada is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity risk is managed by regularly forecasting cash flows from operations and anticipating investing and financing activities to ensure there is sufficient available cash to meet current and foreseeable financial requirements.

Imagine Canada is not subject to significant credit or market risks arising from its financial instruments.