



## **Financial Statements**

December 31, 2019

## Contents

	Page
Independent Auditor's Report	1-2
Statement of Revenue and Expenses 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, 2019 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, 2019, 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  
April 30, 2020  
Toronto, Ontario



## Statement of Revenue and Expenses and Changes in Net Assets

Year Ended December 31	2019	2018
<b>Revenue</b>		
Earned income	\$2,010,392	\$1,811,348
Restricted contributions (note 5)	918,630	623,151
Unrestricted contributions	476,431	520,456
Membership fees	434,592	494,466
Other	99,080	57,461
	<u>3,939,125</u>	<u>3,506,882</u>
<b>Expenses</b>		
Salaries and benefits	2,562,819	2,269,828
Consulting and professional fees	484,668	384,354
Events, meetings, and travel	280,507	205,071
Occupancy	253,506	230,971
Advertising, promotion, and print	173,232	149,263
Office costs	82,418	72,559
Amortization of capital assets	72,417	113,438
Other	6,926	3,426
	<u>3,916,493</u>	<u>3,428,910</u>
<b>Excess of revenue over expenses</b>	<b>22,632</b>	<b>77,972</b>
<b>Deficit, beginning of year</b>	<b><u>(210,206)</u></b>	<b><u>(288,178)</u></b>
<b>Deficit, end of year</b>	<b><u>\$ (187,574)</u></b>	<b><u>\$ (210,206)</u></b>

See accompanying notes



## Statement of Financial Position

As At December 31

2019

2018

	Assets	
<b>Current</b>		
Cash and cash equivalents	\$ 805,592	\$ 819,918
Accounts receivable	78,909	53,571
Prepaid expenses	<u>64,316</u>	<u>57,735</u>
	948,817	931,224
<b>Software (note 3)</b>	<b>794,335</b>	<b>440,816</b>
<b>Furniture and equipment (note 3)</b>	<b><u>121,445</u></b>	<b><u>118,532</u></b>
	<b><u>\$1,864,597</u></b>	<b><u>\$1,490,572</u></b>
<hr/>		
	Liabilities	
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 212,747	\$ 225,356
Note payable (note 4)	200,000	-
Deferred revenue	1,280,462	1,217,053
Deferred contributions (note 5)	<u>358,962</u>	<u>258,369</u>
	<u>2,052,171</u>	<u>1,700,778</u>
	Net Assets	
<b>Deficit</b>	<b><u>(187,574)</u></b>	<b><u>(210,206)</u></b>
	<b><u>\$1,864,597</u></b>	<b><u>\$1,490,572</u></b>

**Commitments (note 6), Subsequent Event (note 9)**

On behalf of the Board

\_\_\_\_\_ Director

\_\_\_\_\_ Director

*See accompanying notes*



## Statement of Cash Flows

Year Ended December 31	2019	2018
<i>Increase (decrease) in cash</i>		
<b>Operating activities</b>		
Excess of revenue over expenses	\$ 22,632	\$ 77,972
Add (deduct) items not involving cash:		
Amortization of capital assets	<u>72,417</u>	<u>113,438</u>
	<u>95,049</u>	<u>191,410</u>
Change in non-cash operating working capital balances:		
Accounts receivable	(25,338)	154,646
Prepaid expenses	(6,581)	(10,709)
Accounts payable and accrued liabilities	(12,609)	34,609
Deferred revenue	63,409	74,127
Deferred contributions	<u>100,593</u>	<u>(78,670)</u>
	<u>119,474</u>	<u>174,003</u>
	<u>214,523</u>	<u>365,413</u>
<b>Financing activities</b>		
Advance on note payable	<u>200,000</u>	<u>-</u>
<b>Investing activities</b>		
Purchase of capital assets	<u>(428,849)</u>	<u>(427,304)</u>
<b>Net (decrease) in cash</b>	<b>(14,326)</b>	<b>(61,891)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b><u>819,918</u></b>	<b><u>881,809</u></b>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$805,592</u></b>	<b><u>\$819,918</u></b>

*See accompanying notes*



## Notes to the Financial Statements

December 31, 2019

---

### 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, 2019

**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

On January 1, 2019, Imagine Canada prospectively adopted the new accounting standards for capital assets held by not-for-profit organizations. As a result, when conditions indicate a capital asset's carrying value is impaired, it will be written down to its fair value or replacement cost, with the write-down recorded as an expense. Write-downs will not be reversed.

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**

	<u>2019</u>		
	<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>



## Notes to the Financial Statements

December 31, 2019

### 3. Capital assets (continued)

	2018		Net Book Value
	<u>Cost</u>	<u>Accumulated Amortization</u>	
Software	<u>\$1,471,736</u>	<u>\$1,030,920</u>	<u>\$440,816</u>
Furniture	\$ 120,515	\$ 42,651	\$ 77,864
Equipment	<u>70,906</u>	<u>30,238</u>	<u>40,668</u>
	<u>\$ 191,421</u>	<u>\$ 72,889</u>	<u>\$118,532</u>

### 4. Note payable

During the year, The Muttart Foundation 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 on July 1, 2020. 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 unspent externally restricted project grants and donations. The changes in the deferred contributions balance are as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 258,369	\$ 337,039
Amount recorded in the accounts during the year	1,019,223	544,481
Revenue recognized during the year	<u>(918,630)</u>	<u>(623,151)</u>
Balance, end of year	<u>\$ 358,962</u>	<u>\$ 258,369</u>

### 6. 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:

## Notes to the Financial Statements

December 31, 2019

---

### 6. Commitments (continued)

2020	215,000
2021	215,000
2022	215,000
2023	215,000
2024	215,000
Thereafter	<u>25,000</u>
	<u>\$1,100,000</u>

Office facilities in Ottawa and Montreal are under short-term rental arrangements.

### 7. 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.

### 8. Reclassification

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

### 9. Subsequent Event

On March 11, 2020, the World Health Organization designated the coronavirus outbreak (COVID-19) as a pandemic. The outbreak has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, quarantine periods and social distancing measures, have caused material disruption to economic activity globally. The extent to which COVID-19 impacts Imagine Canada's operations, including its ability to generate revenue, will depend on future developments, which are highly uncertain and cannot be predicted, including the possible emergence of new information concerning the severity of COVID-19 and resultant government actions taken to contain the virus or its impact, among others.