



## **Financial Statements**

December 31, 2017

## Contents

	Page
Independent Auditors' 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



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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, 2017 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.

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*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Imagine Canada as at December 31, 2017, 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.

RSM Canada LLP

Chartered Professional Accountants  
Licensed Public Accountants  
Toronto, Ontario  
April 23, 2018



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

Year Ended December 31	2017	2016
<b>Revenue</b>		
Subscriptions	\$1,193,883	\$1,147,588
Fees	863,741	924,916
Donations	728,886	460,910
Project grants	571,951	499,296
Sponsorships	23,000	73,749
Other	<u>166,374</u>	<u>118,750</u>
	<b><u>3,547,835</u></b>	<b><u>3,225,209</u></b>
<b>Expenses</b>		
Salaries and benefits	2,102,933	2,041,273
Consulting and professional fees	367,740	323,655
Occupancy	261,764	271,428
Travel and meetings	215,418	153,360
Amortization of capital assets	206,698	232,051
Printing and promotion	94,585	68,238
Office costs	83,970	75,397
Other	<u>5,544</u>	<u>14,074</u>
	<b><u>3,338,652</u></b>	<b><u>3,179,476</u></b>
<b>Excess of revenue over expenses</b>	<b>209,183</b>	<b>45,733</b>
<b>Deficit, beginning of year</b>	<b><u>(497,361)</u></b>	<b><u>(543,094)</u></b>
<b>Deficit, end of year</b>	<b><u>\$ (288,178)</u></b>	<b><u>\$ (497,361)</u></b>

See accompanying notes



## Statement of Financial Position

December 31 2017 2016

<b>Assets</b>		
<b>Current</b>		
Cash	\$ 881,809	\$ 975,072
Accounts receivable	208,217	37,158
Prepaid expenses	<u>47,026</u>	<u>94,287</u>
	<b>1,137,052</b>	<b>1,106,517</b>
Software (note 3)	140,103	291,487
Furniture and equipment (note 3)	<u>105,379</u>	<u>127,144</u>
	<b><u>\$1,382,534</u></b>	<b><u>\$1,525,148</u></b>
<hr/>		
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 129,212	\$ 214,603
Note payable	-	59,555
Loan payable (note 4)	61,535	89,010
Deferred revenue (note 5)	1,142,926	1,052,529
Deferred contributions (note 6)	<u>337,039</u>	<u>606,812</u>
	<b>1,670,712</b>	<b>2,022,509</b>
<b>Net Assets</b>		
Deficit	<u>(288,178)</u>	<u>(497,361)</u>
	<b><u>\$1,382,534</u></b>	<b><u>\$1,525,148</u></b>

Commitments (note 7)

On behalf of the Board

\_\_\_\_\_ Director

\_\_\_\_\_ Director

*See accompanying notes*



## Statement of Cash Flows

Year Ended December 31

2017

2016

*Increase (decrease) in cash*

<b>Operating activities</b>		
Excess of revenue over expenses	\$209,183	\$ 45,733
Add (deduct) items not involving cash:		
Amortization of capital assets	206,698	232,051
Other non-cash items	-	(21,710)
	<u>415,881</u>	<u>256,074</u>
Change in non-cash operating working capital balances:		
Accounts receivable	(171,059)	62,070
Prepaid expenses	47,261	57,051
Accounts payable and accrued liabilities	(85,391)	(82,956)
Deferred revenue	90,397	(25,019)
Deferred contributions	(269,773)	429,196
	<u>(388,565)</u>	<u>440,342</u>
	<u>27,316</u>	<u>696,416</u>
<b>Financing activities</b>		
Repayment of note payable	(59,555)	(51,663)
Advance of loan payable (note 4)	-	32,627
Repayment of loan payable (note 4)	(27,475)	(23,850)
	<u>(87,030)</u>	<u>(42,886)</u>
<b>Investing activities</b>		
Purchase of capital assets	(33,549)	(73,993)
	<u>(33,549)</u>	<u>(73,993)</u>
<b>Net increase (decrease) in cash</b>	<b>(93,263)</b>	<b>579,537</b>
<b>Cash, beginning of year</b>	<b><u>975,072</u></b>	<b><u>395,535</u></b>
<b>Cash, end of year</b>	<b><u>\$881,809</u></b>	<b><u>\$975,072</u></b>

See accompanying notes



## Notes to the Financial Statements

December 31, 2017

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### 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 sponsorships are recognized as services are provided, or as otherwise earned.

#### Financial instruments

Financial instruments, including 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, GICs, and cash on hand.

**Notes to the Financial Statements**

December 31, 2017

**2. Summary of significant accounting policies (continued)**

*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 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**

	<b>2017</b>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Software	<u>\$1,082,057</u>	<u>\$941,954</u>	<u>\$140,103</u>
Furniture	\$ 104,136	30,703	<b>73,433</b>
Equipment	<u>49,660</u>	<u>17,714</u>	<u>31,946</u>
	<u>\$ 153,796</u>	<u>\$ 48,417</u>	<u>\$105,379</u>
	<b>2016</b>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Software	<u>\$1,049,063</u>	<u>\$757,576</u>	<u>\$291,487</u>
Furniture	\$ 104,136	\$ 20,215	\$ 83,921
Equipment	<u>63,508</u>	<u>20,285</u>	<u>43,223</u>
	<u>\$ 167,644</u>	<u>\$ 40,500</u>	<u>\$127,144</u>



## Notes to the Financial Statements

December 31, 2017

### 4. 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 were 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.

The amounts are being repaid in blended monthly payments of \$2,511 (2016 – \$2,511), including interest calculated at 3.8%, over three to five years. Required payments, including principal, interest and taxes, are as follows:

2018	30,128
2019	20,942
2020	<u>16,981</u>
	<u>\$ 68,051</u>

### 5. Deferred revenue

	<u>2017</u>	<u>2016</u>
Fees	\$ 739,998	\$ 651,624
Subscriptions	402,928	390,905
Sponsorships	<u>-</u>	<u>10,000</u>
	<u>\$1,142,926</u>	<u>\$1,052,529</u>

### 6. Deferred contributions

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

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 606,812	\$ 177,616
Amount recorded in the accounts during the year	609,780	1,032,619
Revenue recognized during the year	<u>(879,553)</u>	<u>(603,423)</u>
Balance, end of year	<u>\$ 337,039</u>	<u>\$ 606,812</u>



## Notes to the Financial Statements

December 31, 2017

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### 7. Commitments

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

2018	205,000
2019	205,000
2020	215,000
2021	215,000
2022	215,000
Thereafter	<u>450,000</u>
	<u>\$1,505,000</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.

### 9. Reclassification

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