

THE CARDUS INSTITUTE >

consolidated financial statements

>YEAR ENDED DECEMBER 31, 2023

THE CARDUS INSTITUTE>

consolidated financial statements

>YEAR ENDED DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Members of The Cardus Institute:

Opinion

We have audited the consolidated financial statements of The Cardus Institute and subsidiaries, the "Group", which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

MAC LLP.

Waterloo, Ontario
May 31, 2024

LICENSED PUBLIC ACCOUNTANTS
CHARTERED PROFESSIONAL ACCOUNTANTS

THE CARDUS INSTITUTE>
**consolidated statement
of financial position**

>DECEMBER 31, 2023

	2023	2022
<i>assets</i>		
current		
Cash	\$ 1,194,382	\$ 3,520,613
Guaranteed investment certificates (Note 3)	500,100	-
Accounts receivable	191,122	102,399
Government remittances recoverable	105,715	51,259
Prepaid expenses	<u>91,729</u>	<u>225,303</u>
	2,083,048	3,899,574
non-current		
Long term investments (Note 4)	-	493,182
Capital assets (Note 5)	<u>3,060,065</u>	<u>1,541,602</u>
	<u>\$ 5,143,113</u>	<u>\$ 5,934,358</u>
<i>liabilities</i>		
current		
Bank loans	\$ 55,000	\$ -
Accounts payable and accrued liabilities	475,508	231,487
Deferred revenue (Note 7)	<u>405,000</u>	<u>1,518,092</u>
	935,508	1,749,579
commitments (Note 8)		
<i>net assets</i>		
Net invested in capital assets	3,060,065	1,541,602
Unrestricted net assets	<u>1,147,540</u>	<u>2,643,177</u>
	<u>4,207,605</u>	<u>4,184,779</u>
	<u>\$ 5,143,113</u>	<u>\$ 5,934,358</u>

Approved on behalf of the board:

Director

Director

THE CARDUS INSTITUTE>

consolidated statement of changes in net assets

>YEAR ENDED DECEMBER 31, 2023

	invested in		2023	2022
	capital assets	unrestricted	total	total
balance, beginning of year	\$ 1,541,602	\$ 2,643,177	\$ 4,184,779	\$ 2,838,756
Excess of revenue over expense for year	(381,758)	404,584	22,826	1,346,023
Investment in capital assets	<u>1,900,221</u>	<u>(1,900,221)</u>	<u>-</u>	<u>-</u>
balance, end of year	<u>\$ 3,060,065</u>	<u>\$ 1,147,540</u>	<u>\$ 4,207,605</u>	<u>\$ 4,184,779</u>

THE CARDUS INSTITUTE>

consolidated statement of operations

>YEAR ENDED DECEMBER 31, 2023

	2023	2022
revenue		
Donations	\$ 7,086,738	\$ 6,538,723
Activity income	441,267	354,855
Reimbursements	509	371
Rental income	-	63,748
Gain on disposal	14,428	1,164,918
Government subsidies	-	44,777
Unrealized gain	2,573	(6,818)
Foreign exchange loss	<u>(24,901)</u>	<u>8,568</u>
	<u>7,520,614</u>	<u>8,169,142</u>
expenses		
Advertising and promotion	63,274	2,698
Amortization	381,758	270,772
Bank charges and interest	33,046	23,445
Computer	113,329	85,675
Event Expenses	340,520	311,038
Human resources	3,719,372	3,429,499
Interest on long term debt	-	11,788
Marketing and promotion	526,770	390,931
Meals and entertainment	5,736	11,442
Meeting expenses	28,341	30,020
Office expenses and miscellaneous	256,392	312,037
Professional fees	234,449	351,656
Project costs	702,874	522,934
Rent and utilities	541,559	497,235
Telecommunications	32,532	37,172
Travel	<u>517,836</u>	<u>534,777</u>
	<u>7,497,788</u>	<u>6,823,119</u>
excess of revenue over expenses for year	<u>\$ 22,826</u>	<u>\$ 1,346,023</u>

THE CARDUS INSTITUTE>

consolidated statement of cash flows

>YEAR ENDED DECEMBER 31, 2023

	2023	2022
operating activities		
Excess of revenue over expenses for year	\$ 22,826	\$ 1,346,023
Adjustments for:		
Amortization	<u>381,758</u>	<u>270,772</u>
	404,584	1,616,795
Changes in non-cash working capital:		
Accounts receivable	(88,723)	(46,842)
Prepaid expenses	133,574	(118,721)
Accounts payable and accrued liabilities	244,021	(31,472)
Deferred revenue	(1,113,092)	(411,908)
Government remittances receivable	<u>(54,456)</u>	<u>23,102</u>
	<u>(474,092)</u>	<u>1,030,954</u>
financing activities		
Line of credit	55,000	-
Repayment of long term debt	<u>-</u>	<u>(352,445)</u>
	<u>55,000</u>	<u>(352,445)</u>
investing activities		
Purchase of capital assets	(1,900,221)	524,479
Guaranteed investment certificates	(500,100)	999,999
Long term investments	<u>493,182</u>	<u>(493,182)</u>
	<u>(1,907,139)</u>	<u>1,031,296</u>
Net change in cash for the year	(2,326,231)	1,709,805
Cash Balance, beginning of year	<u>3,520,613</u>	<u>1,810,808</u>
cash balance, end of year	\$ <u>1,194,382</u>	\$ <u>3,520,613</u>

notes to consolidated financial statements

>DECEMBER 31, 2023

1. purpose of organization

Drawing on more than 2,000 years of Christian social thought, the mission of the “Group”, is to perform research and education in the renewal of North American social architecture; to, for the common good, enrich and challenge public debate through research, events and publications.

2. significant accounting policies

Basis of Accounting - These consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. In addition, the Group also issues non-consolidated financial statements.

Principles of Consolidation - The consolidated financial statements include the accounts of The Cardus Institute and Cardus, Inc. US, formerly Work Research Foundation US, a controlled US-based non-profit organization. Inter-company accounts and transactions have been eliminated.

Revenue Recognition - The Group follows the deferral method of accounting for revenue. Unrestricted contributions are recognized as revenue when received. Restricted contributions are recognized as revenue when the related expense is incurred.

Activity income is recognized as project milestones are achieved. The unearned portion of retainers received are classified as deferred revenue.

Service fees and reimbursements are recognized as they are earned.

Rental income is recognized on a monthly basis as the rent becomes due.

Government subsidies are recognized as revenue in the year in which the underlying expenses are incurred.

Financial Instruments

Initial measurement - The Group initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If it does, the cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise, the cost is determined using the consideration transferred or received by the Group in the transaction.

Subsequent measurement - The Group subsequently measures all its financial assets and financial liabilities originated or exchanged in arm's length transactions at amortized cost.

Financial assets and financial liabilities originated in related party transactions are subsequently measured at cost. Any reduction for impairment is recognized in net income, in the period incurred.

Financial assets measured at amortized cost include cash and accounts receivable.

notes to consolidated financial statements

>DECEMBER 31, 2023

The Group has not designated any financial asset or financial liability to be measured at fair value.

Impairment - Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized as operating cost. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized as income from operations.

Capital Assets and Amortization - Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided in the accounts using the following methods and annual rates:

Asset	Method	Period
Building	Straight line	25 years
Leasehold improvements	Straight line	10 years
Computer equipment	Straight line	3 years
Furniture and fixtures	Straight line	5 years

Capital assets acquired during the year are amortized at one half the above annual rates.

Contributed Materials and Services - Volunteers contribute their time to assist the Group in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the consolidated financial statements.

The Group receives contributed materials, the fair value of which may or may not be reasonably determinable. Contributed materials are recognized as donations when fair value can be determined. During the year, \$30,300 (2022 - \$Nil) was recognized as donations in-kind.

Disclosure and Use of Estimates - The preparation of consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

Estimates are used when accounting for certain items such as revenues, allowance for doubtful accounts, useful lives of capital assets and asset impairments.

3. guaranteed investment certificates

	2023	2022
Interest at 4.78%, maturing January 2024	\$ <u>500,100</u>	\$ <u> -</u>

notes to consolidated financial statements

>DECEMBER 31, 2023

4. long term investments

The major categories of long term investments are as follows:

	2023	2022
Segregated Funds	\$ -	\$ 395,932
Fixed Income Funds	-	41,514
Equity Funds	<u>-</u>	<u>55,736</u>
	<u>\$ -</u>	<u>\$ 493,182</u>

5. capital assets

	cost	accumulated amortization	net 2023	net 2022
Leasehold improvements	\$ 3,243,819	\$ 706,637	\$ 2,537,182	\$ 1,190,227
Computer equipment	198,941	124,868	74,073	57,031
Furniture and fixtures	<u>849,887</u>	<u>401,077</u>	<u>448,810</u>	<u>294,344</u>
	<u>\$ 4,292,647</u>	<u>\$ 1,232,582</u>	<u>\$ 3,060,065</u>	<u>\$ 1,541,602</u>

6. credit facilities

The Group has a \$850,000 operating line of credit bearing interest at prime plus 1.25%, of which \$55,000 (2022 - \$Nil) was used at year end.

7. deferred revenue

During the year, the Group received funds from interested parties which are restricted to a specific time period or to support specific projects. The following reflects the continuity of the funds received and the amounts deferred to future periods:

	2023	2022
Balance, beginning of year	\$ 1,518,092	\$ 1,930,000
Amounts received designated for specific projects	-	619,348
Amounts recognized as revenue in the year	<u>(1,113,092)</u>	<u>(1,031,256)</u>
Balance, end of year	<u>\$ 405,000</u>	<u>\$ 1,518,092</u>

notes to consolidated financial statements

>DECEMBER 31, 2023

8. commitments

The Group is obligated under leasing contracts for the premises from which it operates. The leases expire March 2025 and the future minimum lease payments in each of the next four years are as follows:

2024	\$ 446,909
2025	\$ 227,138
2026	\$ 100,000
2027	\$ 50,000

9. financial instruments

Risk management - The significant risks to which the Group is exposed are credit risk, interest rate risk, currency risk and liquidity risk. There has been no change to risk from the prior year.

Credit risk - The Group provides credit in the normal course of operations. Credit risk is minimized through progress billings and the use of retainers.

Interest rate risk - The Group's interest-bearing liabilities include operating line of credit and long-term debt.

The Group's operating line of credit bears interest at a variable rate. Changes in the bank's prime lending rate can cause fluctuations in interest payments and future cash flows associated with the principal portion of the operating line of credit. The Group has fixed interest rates on the long term debt. Consequently, the exposure to fluctuations in future cash flows, with respect to these instrument, as a result of changes in market interest rates, is limited.

Currency Risk - Some assets, liabilities, revenues and expenses are exposed to foreign exchange fluctuations. As at December 31, 2023, cash, accounts receivable, accounts payable and accrued liabilities of \$340,682, \$6,827 and \$28,785 respectively (2022 - \$716,496, \$1,205 and \$20,329) are denominated in US dollars.

Liquidity Risk - Liquidity risk is the risk that the Group will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Group's cash requirements. Additional cash requirements are met with the use of the available operating line of credit and bank borrowings under long term credit arrangements. The available operating line of credit provides flexibility in the short term to meet operational needs and bridge long term financing. The Group's borrowing arrangements are concentrated with a single Canadian financial institution.