

CAPACITY CANADA

FINANCIAL STATEMENTS

DECEMBER 31, 2022



INDEPENDENT AUDITOR'S REPORT

To the Directors of Capacity Canada

Opinion

I have audited the financial statements of **Capacity Canada**, which comprise the statement of financial position as at **December 31, 2022**, and the statement of operations and change in net assets, and the statement of cash flows, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion the accompanying financial statements present fairly, in all material respects, the financial position of **Capacity Canada** as **December 31, 2022** and its results of operations, changes in net assets, and cash flows, for the year then ended, in accordance with Canadian Accounting Standards for Not-for-profit Organizations.

Basis of Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. I am independent of the entity in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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

My objective is 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 my 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 Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My 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.

I 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 I identify during my audit.

E.M. Simon CPA

February 24, 2023
Kitchener, ON

E.M. Simon CPA Professional Corporation

Authorized to practise public accounting by the Chartered Professional Accountants of Ontario

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CAPACITY CANADA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

(with comparative figures as at December 31, 2021)

(the accompanying notes are an integral part of these financial statements)

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT		
Cash - unrestricted	906,540	536,697
Cash - restricted (notes 1 and 6)	155,980	139,508
Accounts and HST receivable	72,920	40,282
Prepaid expenses	19,711	16,136
	<hr/> 1,155,151	<hr/> 732,623
PROPERTY AND EQUIPMENT (note 2)	4,259	4,485
	<hr/> \$1,159,410	<hr/> \$737,108
LIABILITIES		
CURRENT		
Accounts payable	32,012	41,514
Deferred income (note 3)	552,901	265,298
Current portion of long-term debt	60,000	0
	<hr/> 644,913	<hr/> 306,812
LONG-TERM		
Canada Emergency Business Account loan (note 5)	0	60,000
	<hr/> 644,913	<hr/> 366,812
TOTAL LIABILITIES	<hr/> 644,913	<hr/> 366,812
NET ASSETS		
Restricted - Working Capital Reserve (notes 1 and 6)	155,980	139,508
Unrestricted	358,517	230,788
	<hr/> 514,497	<hr/> 370,296
	<hr/> \$1,159,410	<hr/> \$737,108

CAPACITY CANADA

STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2022

(with comparative figures for the year ended December 31, 2021)

(the accompanying notes are an integral part of these financial statements)

	<u>2022</u>	<u>2021</u>
INCOME		
Grants	638,214	493,381
Fee for Service	417,195	358,962
Donations	184,397	112,963
Federal wage subsidies	0	39,458
Interest income	11,139	2,658
	<hr/> 1,250,945	<hr/> 1,007,422
EXPENSES		
Salaries and benefits	501,237	444,800
Contracted services	343,441	241,810
Educational events	106,712	86,598
Administration	28,250	38,180
Technology	47,024	37,716
Marketing and promotion	7,064	28,228
Professional fees	16,680	16,811
Gifts to other charities	8,000	6,000
Meetings and conferences	46,511	1,867
Amortization of property and equipment	1,825	1,922
	<hr/> 1,106,744	<hr/> 903,932
EXCESS OF INCOME OVER EXPENSES	144,201	103,490
NET ASSETS - beginning of the year	370,296	266,806
NET ASSETS - end of the year	<hr/> \$514,497	<hr/> \$370,296

CAPACITY CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

(with comparative figures for the year ended December 31, 2021)

(the accompanying notes are an integral part of these financial statements)

	<u>2022</u>	<u>2021</u>
Sources (uses) of funds:		
OPERATING ACTIVITIES		
Excess of income over expenses	144,201	103,490
Amortization of property and equipment	1,825	1,922
	<hr/> 146,026	<hr/> 105,412
Change in non-cash current assets and liabilities:		
Accounts and HST receivable	(32,638)	(17,587)
Prepaid expenses	(3,575)	15,380
Accounts payable	(9,502)	18,147
Deferred income (note 3)	287,604	(167,655)
	<hr/> 387,915	<hr/> (46,303)
INVESTING ACTIVITIES		
Purchases of equipment	(1,600)	0
FINANCING ACTIVITIES		
Canada Emergency Business Account loan (note 5)	0	0
	<hr/> 0	<hr/> 0
CHANGE IN CASH FOR THE YEAR	386,315	(46,303)
CASH ON HAND - beginning of the year	676,205	722,508
	<hr/> 676,205	<hr/> 722,508
CASH ON HAND - end of the year	\$1,062,520	\$676,205
	<hr/> \$1,062,520	<hr/> \$676,205
REPRESENTED BY:		
Cash - unrestricted	906,540	536,697
Cash - restricted (notes 1 and 6)	155,980	139,508
	<hr/> \$1,062,520	<hr/> \$676,205

CAPACITY CANADA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NATURE OF THE ORGANIZATION

Capacity Canada was incorporated under the Canada Not-for-profit Corporations Act and is a charity registered with Canada Revenue Agency, and as such does not pay income tax. Capacity Canada brings together the ideas, people and resources that drive social change. Capacity Canada's vision is to change lives through courageous community organizations. Capacity Canada accomplishes this by providing non-profit leaders with new resources and professional support which enhance leadership skills, stimulate cross-sectoral collaboration, promote knowledge sharing, and encourage social innovation.

1. ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared using Canadian Accounting Standards for Not-for-profit Organizations.

Income recognition

Capacity Canada uses the deferral method for recognizing income. When funding received or receivable is restricted with respect to the nature of expenditures it is to fund and/or the timing of those expenditures, it is reflected as deferred income until expended as designated, whereupon both the income and the expenses are reflected on the statement of operations and change in net assets. When funding is restricted only in relation to a particular period of time and the funder does not require reporting of expenditures to justify the funding, the funding is reflected as deferred income, and subsequently recognized over the particular period to time on a straight-line basis, monthly. Unrestricted income is recognized as income when received or receivable provided amounts can be reasonable determined and collection is reasonably assured.

Capacity Canada receives significant donations of time by volunteers. Because the valuation of such contributions is impractical, no monetary value for these contributions has been reflected in these financial statements.

Property and equipment

Equipment is reflected at cost, which is amortized at 30% annually using the declining balance method.

Restricted cash, investments and net assets

The Board of Directors have established of a Working Capital Reserve (see note 6), the purpose of which is to maintain a pool of liquid assets which is available to fund significant decreases in annual income. Income earned from the funds set aside in this reserve accrues to this reserve. Transfers out of the Working Capital Reserve must be approved by the Board of Directors.

Financial instruments

A financial instrument is a contract that creates a financial asset for one entity and a financial liability or equity instrument of another. Capacity Canada initially measures its financial assets and liabilities at fair value, except for non-arm's length transactions, if any. Subsequently all financial assets and financial liabilities are measured at amortized cost, except for investments in equity instruments with quoted fair values in an active market, if any, which are measured at fair value. Changes in the fair value of equity instruments are recognized in net income. Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down is recognized on the statement of operations and change in net assets. Any previously recognized impairment losses may be reversed and reflected in income to the extent of improvement, provided they are no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. Capacity Canada recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

CAPACITY CANADA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. PROPERTY AND EQUIPMENT

	<u>Cost</u>	<u>2022</u> <u>Accumulated</u> <u>Amortization</u>	<u>Net Book</u> <u>Value</u>	<u>2021</u> <u>Net Book</u> <u>Value</u>
Equipment and furniture	15,261	11,002	4,259	4,485

3. DEFERRED INCOME

Deferred income consists of unspent restricted grants and donations, and fees for service where the service has yet to be provided.

4. FINANCIAL INSTRUMENTS

	<u>2022</u>	<u>2021</u>
Financial assets measured at amortized cost - cash, accounts receivable (excluding HST recoverable)	\$1,112,881	\$703,305

There are no financial assets adjusted to fair value annually, nor any investments in equity instruments measured at cost less a reduction for impairment.

As in the prior year, management believes it does not face any significant credit, currency, interest rate, liquidity or market risk with respect to any of its financial instruments.

5. CANADA EMERGENCY BUSINESS ACCOUNT LOAN

	<u>2022</u>	<u>2021</u>
Interest free, unsecured, due December 31, 2023, \$20,000 forgiven upon repayment of \$40,000 before December 31, 2023.	60,000	60,000
Portion due in the forthcoming year	(60,000)	0
	\$0	\$60,000

6. WORKING CAPITAL RESERVE

	<u>2022</u>	<u>2021</u>
Opening reserve balance	139,508	124,130
Board approved transfers from Unrestricted Net Assets	15,000	15,000
Interest earned	1,472	378
Closing reserve balance	\$155,980	\$139,508

7. WORLD-WIDE PANDEMIC

As of the date of issuance of these financial statements the Covid-19 pandemic continued to impact most organizations world-wide, including Capacity Canada. Its future impact on Capacity Canada is uncertain. Management is actively monitoring local and global events and reacting to the best of their abilities, to maintain the organization's financial health and well being.