

# **CAPACITY CANADA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**



## 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, 2023**, 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, 2023** 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 23, 2024

Kitchener, ON

### E.M. Simon CPA Professional Corporation

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**CAPACITY CANADA**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2023**

(with comparative figures as at December 31, 2022)

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

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash - unrestricted	976,800	906,540
Cash - restricted (notes 1 and 6)	174,941	155,980
Accounts and HST receivable	126,029	72,920
Prepaid expenses	18,785	19,711
	<hr/> 1,296,555	<hr/> 1,155,151
<b>PROPERTY AND EQUIPMENT</b> (note 2)	3,971	4,259
	<hr/> \$1,300,526	<hr/> \$1,159,410
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable	51,184	32,012
Deferred income (note 3)	645,374	552,901
Canada Emergency Business Account Loan (note 5)	0	60,000
	<hr/> 696,558	<hr/> 644,913
<b>NET ASSETS</b>		
<b>RESTRICTED</b> - Working Capital Reserve (notes 1 and 6)	174,941	155,980
<b>UNRESTRICTED</b>	429,027	358,517
	<hr/> 603,968	<hr/> 514,497
	<hr/> \$1,300,526	<hr/> \$1,159,410

# CAPACITY CANADA

## STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2023

(with comparative figures for the year ended December 31, 2022)

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

	<u>2023</u>	<u>2022</u>
<b>INCOME</b>		
Grants	705,440	638,214
Fee for Service	482,924	417,195
Donations	174,655	184,397
Interest income	26,350	11,139
	<hr/> 1,389,369	<hr/> 1,250,945
<b>EXPENSES</b>		
Salaries and benefits	545,727	501,237
Contracted services	478,708	343,441
Educational events	101,406	106,712
Administration	30,415	28,250
Technology	46,742	47,024
Marketing and promotion	23,693	7,064
Professional fees	20,258	16,680
Gifts to other charities	0	8,000
Meetings and conferences	51,247	46,511
Amortization of property and equipment	1,702	1,825
	<hr/> 1,299,898	<hr/> 1,106,744
<b>EXCESS OF INCOME OVER EXPENSES</b>	89,471	144,201
<b>NET ASSETS - beginning of the year</b>	514,497	370,296
<b>NET ASSETS - end of the year</b>	<hr/> \$603,968	<hr/> \$514,497

**CAPACITY CANADA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

(with comparative figures for the year ended December 31, 2022)

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

	<u>2023</u>	<u>2022</u>
Sources (uses) of funds:		
<b>OPERATING ACTIVITIES</b>		
Excess of income over expenses	89,471	144,201
Amortization of property and equipment	1,702	1,825
	<hr/> 91,173	<hr/> 146,026
Change in non-cash current assets and liabilities:		
Accounts and HST receivable	(53,109)	(32,638)
Prepaid expenses	926	(3,575)
Accounts payable	19,172	(9,502)
Deferred income (note 3)	92,473	287,604
	<hr/> 150,635	<hr/> 387,915
<b>INVESTING ACTIVITIES</b>		
Purchases of equipment	(1,414)	(1,600)
<b>FINANCING ACTIVITIES</b>		
Canada Emergency Business Account Loan (note 5)	(60,000)	0
	<hr/>	<hr/>
<b>CHANGE IN CASH FOR THE YEAR</b>	89,221	386,315
<b>CASH ON HAND - beginning of the year</b>	1,062,520	676,205
	<hr/>	<hr/>
<b>CASH ON HAND - end of the year</b>	\$1,151,741	\$1,062,520
	<hr/>	<hr/>
<b>REPRESENTED BY:</b>		
Cash - unrestricted	976,800	906,540
Cash - restricted (notes 1 and 6)	174,941	155,980
	<hr/> \$1,151,741	<hr/> \$1,062,520
	<hr/>	<hr/>

**CAPACITY CANADA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**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 reasonably 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, 2023**

**2. PROPERTY AND EQUIPMENT**

	<u>2023</u>			<u>2022</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Equipment and furniture	16,675	12,704	3,971	4,259

**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>2023</u>	<u>2022</u>
Financial assets measured at amortized cost - cash, accounts receivable (excluding HST recoverable)	\$1,249,279	\$1,112,881

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

**6. WORKING CAPITAL RESERVE**

	<u>2023</u>	<u>2022</u>
Opening reserve balance	155,980	139,508
Board approved transfers from Unrestricted Net Assets	15,000	15,000
Interest earned	3,961	1,472
Closing reserve balance	\$174,941	\$155,980