
Consolidated financial statements of
The Royal Canadian Geographical
Society – La Société Géographique
Royale du Canada

June 30, 2021

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Independent Auditor's Report

To the Board of Governors Members of
The Royal Canadian Geographical Society –
La Société Géographique Royale du Canada

Opinion

We have audited the consolidated financial statements of the Royal Canadian Geographical Society - La Société Géographique Royale du Canada (the "Society"), which comprise the consolidated balance sheet as at June 30, 2021, and the consolidated statements of revenue and expenses, changes in net assets (deficiencies) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Society as at June 30, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Society 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 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 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 GAAS 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 GAAS, 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 Society'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 Society'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 Society 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 Society to express an opinion on the consolidated financial statements.

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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
November 4, 2021

**The Royal Canadian Geographical Society –
La Société Géographique Royale du Canada**
Consolidated statement of revenue and expenses
Year ended June 30, 2021

	2021	2020
	\$	\$
Revenue		
Donations	1,970,793	854,738
RCGS/NGS Canadian Geography Education Fund		
Investment earnings	392,183	23,735
Unrealized (loss) gain on foreign exchange	(154,197)	(46,136)
Magazine		
Circulation	1,453,355	1,675,132
Advertising	196,418	416,172
Canadian Periodical Fund	862,122	848,438
Custom publishing	4,898,970	4,439,069
Fundraising events	89,895	263,623
Government assistance	731,274	209,540
50 Sussex Drive Inc. events revenue	11,385	279,019
Other	112,411	23,107
	10,564,609	8,986,437
Expenses		
Fundraising	337,507	447,609
Programs	216,766	95,079
Magazine		
Circulation	1,022,333	1,120,960
Advertising	114,755	129,388
Editorial	425,557	321,250
Production	964,917	931,225
New media/internet	37,425	79,143
Custom publishing	3,798,398	3,536,435
Administration	783,973	1,165,400
Events	31,873	253,174
Rent and occupancy costs	558,431	662,222
Interest	647	11,091
Amortization of capital assets	62,369	91,865
Bad debt expense	—	73,475
50 Sussex Drive Inc. events expenses	56,536	321,647
50 Sussex Drive Inc. building and administration expenses	73,959	229,715
	8,485,446	9,469,678
Excess (deficiency) of revenue over expenses	2,079,163	(483,241)

The accompanying notes are an integral part of the consolidated financial statements.

**The Royal Canadian Geographical Society –
La Société Géographique Royale du Canada**
Consolidated balance sheet

As at June 30, 2021

	Notes	2021 \$	2020 \$
Assets			
Current assets			
Short-term assets			
Cash		3,227,120	1,205,108
Accounts and interest receivable		1,599,634	1,944,087
Inventory	3	109,285	118,545
Government remittances receivable		—	37,769
Prepaid expenses		249,038	312,512
		5,185,077	3,618,021
Education fund	4	1,331,642	1,093,656
Investment in Latitude		1	1
Capital assets	5	1,032,213	1,002,216
		7,548,933	5,713,894
Liabilities			
Current liabilities			
Short-term liabilities			
Accounts payable and accrued liabilities		1,261,281	1,586,872
Government remittances payable		211,972	98,318
Deferred circulation revenue – current portion		912,138	1,545,881
Deferred revenue - custom publishing		884,320	1,855,699
Deferred revenue - donations		1,868,400	433,600
Obligation under capital lease – current portion		—	9,887
		5,138,111	5,530,257
Deferred circulation revenue		458,167	310,145
Canada Emergency Business Account Loan	7	40,000	40,000
		5,636,278	5,880,402
Commitments and contingencies	9		
Net assets (deficiencies)			
Internally restricted for investment in RCGS/NGS			
Canadian Geography Education Fund	4	1,331,642	1,093,656
Internally restricted	12	125,292	125,122
Invested in capital assets		1,032,213	992,329
Unrestricted deficiency		(576,492)	(2,377,615)
		1,912,655	(166,508)
		7,548,933	5,713,894

The accompanying notes are an integral part of the consolidated financial statements.

Approved by the Board

 _____, Governor

 _____, Governor

**The Royal Canadian Geographical Society –
La Société Géographique Royale du Canada**
Consolidated statement of changes in net assets (deficiencies)
Year ended June 30, 2021

	Notes	Internally restricted for investment in RCGS/NGS Canadian Geography Education Fund \$	Internally restricted \$	Invested in capital assets \$	Unrestricted \$	Total \$
Balance, June 30, 2019		1,116,057	123,629	976,781	(1,899,734)	316,733
Deficiency of revenue over expenses		—	—	(22,865)	(460,376)	(483,241)
Internal restriction	12	—	1,493	—	(1,493)	—
Purchase of capital assets		—	—	27,276	(27,276)	—
Repayment of capital lease		—	—	11,137	(11,137)	—
Decrease in RCGS/NGS Canadian Geography Education Fund		(22,401)	—	—	22,401	—
Balance, June 30, 2020		1,093,656	125,122	992,329	(2,377,615)	(166,508)
Excess of revenue over expenses		—	—	20,381	2,058,782	2,079,163
Internal restriction	12	—	170	—	(170)	—
Purchase of capital assets		—	—	9,616	(9,616)	—
Repayment of capital lease		—	—	9,887	(9,887)	—
Increase in RCGS/NGS Canadian Geography Education Fund		237,986	—	—	(237,986)	—
Balance, June 30, 2021		1,331,642	125,292	1,032,213	(576,492)	1,912,655

The accompanying notes are an integral part of the consolidated financial statements.

**The Royal Canadian Geographical Society –
La Société Géographique Royale du Canada**
Consolidated statement of cash flows
Year ended June 30, 2021

	Notes	2021 \$	2020 \$
Operating activities			
Excess (deficiency) of revenue over expenses		2,079,163	(483,241)
Items not affecting cash			
RCGS/NGS Canadian Geography Fund			
investment earnings		(392,183)	(23,735)
Unrealized loss (gain) on foreign exchange		154,197	46,136
Amortization of capital assets		62,369	91,865
Contributed works of art and historical treasures	5	(82,750)	(69,000)
Write-off of loan to Lattitude		—	65,000
		1,820,796	(372,975)
Changes in non-cash operating working capital items	10	220,719	1,580,262
		2,041,515	1,207,287
Investing activities			
Purchase of capital assets		(9,616)	(27,276)
		(9,616)	(27,276)
Financing activities			
(Decrease) increase in bank indebtedness	7	—	(415,844)
Repayments of obligation under capital lease		(9,887)	(11,137)
Proceeds from Canada Emergency			
Business Account Loan	7	—	40,000
		(9,887)	(386,981)
Increase in cash		2,022,012	793,030
Cash, beginning of year		1,205,108	412,078
Cash, end of year		3,227,120	1,205,108

The accompanying notes are an integral part of the consolidated financial statements.

1. Activities of the organization

The Royal Canadian Geographical Society – La Société Géographique Royale du Canada (the "Society" or "RCGS") was incorporated without share capital under Part II of the Canada Corporations Act. In 2014, the Society received a Certification of Continuance under the Canada Not-for-Profit Corporations Act. It is a registered charitable educational organization devoted to advancing geographical knowledge and disseminating information on the geography, resources, and people of Canada. The Society controls Canadian Geographic Enterprises (CGE) which operates the Canadian Geographic magazine and its related websites. The Society also controls 50 Sussex Drive Inc., a fully owned subsidiary.

As a registered charity, the Society is exempt from income taxes.

2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Basis of presentation

The Society consolidates CGE and 50 Sussex Drive Inc. and presents its financial statements on a consolidated basis. Inter-entity transactions are eliminated. 50 Sussex Drive Inc. has a 50% joint interest in Lattitude, a for-profit corporation. 50 Sussex Drive Inc. accounts for this investment using the cost method.

Inventory

Finished goods consist of Atlas and merchandise and are valued at lower of cost and net realizable value, determined on a first in, first out basis. Net realizable value is the estimated selling price less the estimated cost of completion and the estimated costs necessary to make the sale. Any write-down of inventory to its net realizable value is recognized as an expense in the period. When the net realizable value subsequently increases, the previously recognized impairment loss is reversed and recognized as a reduction in the amounts of inventories expensed in the period the reversal occurs.

Capital assets

Capital assets and assets under capital leases are recorded at cost. Contributed capital assets are recorded at fair value. When fair value cannot be determined, contributed capital assets are recorded at nominal value. Amortization is calculated using the straight-line method over the estimated useful lives of assets as follows:

Furniture and equipment	5-10 years
Computer equipment and software	5 years
Equipment under capital lease	Over the term of the lease
Leasehold improvements	Over the term of the lease

Works of art and historical treasures are not amortized due to their infinite lives.

2. Significant accounting policies (continued)

Write-downs of capital assets

When conditions indicate that a capital asset is impaired, the net carrying amount of the capital asset shall be written down to the asset's fair value or replacement cost. The write-downs of capital assets shall be accounted for as expenses in the statement of revenue and expenses. A write-down shall not be reversed.

Financial instruments

The Society initially measures its financial assets and liabilities at fair value. The Society subsequently measures all its financial assets and liabilities at amortized cost.

Transaction costs are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the effective interest method and recognized in net earnings as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Society recognizes an impairment loss, if any, in net earnings when there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to net earnings in the period the reversal occurs.

Government assistance

Government assistance is recorded in the consolidated financial statements when there is reasonable assurance that the Society has complied with, and will continue to comply with, all conditions necessary to obtain the assistance.

Government assistance, including the Temporary Wage Subsidy for Employers ("TWS") and Canada Emergency Wage Subsidy ("CEWS") for eligible expenditures, is reflected as revenue on the consolidated statement of revenue and expenses.

Foreign currency translation

Financial assets and liabilities denominated in foreign currencies have been translated at the year-end exchange rate. Transactions in foreign currencies have been translated at the rates of exchange in effect at the dates of the transactions.

Revenue recognition

The Society follows the deferral method of accounting for revenue. Unrestricted contributions are recognized as revenue as they are received or receivable, if the amount to be received can be reasonable assured. Restricted contributions are deferred and are recognized as revenue in the year in which it is earned or the related expenses are incurred.

Sales of products and services to customers are recorded when the product is shipped or the service is performed. Any payment received in advance of shipment is deferred and recorded as deferred circulation revenue. Custom publishing revenues are recognized using the percentage of completion method.

2. Significant accounting policies (continued)

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The estimated useful life of capital assets, the net realizable value of the accounts receivable, the amount of certain accrued liabilities, the assumptions related to the calculation of the TWS and the CEWS and the percentage of completion of custom publishing contracts are the most significant items where estimates are used. Actual results could differ from these estimates.

3. Inventory

Included in inventory as at June 30, 2021, is \$109,285 (\$118,545 in 2020) of finished goods. Included in custom publishing expenses are \$54,834 (\$34,789 in 2020) of costs which were expensed through inventory.

4. Education Fund

The investment in RCGS/NGS Canadian Geography Education Fund is an investment for which the capital is held in perpetuity. This investment fund is managed by the National Geographic Society Education Foundation located in the United States. The earnings on these investments accrue to the Society. The Society has agreed that a portion of investment earnings received each year will be spent to promote geography education in Canada. The balance of net earnings will be reinvested in the fund.

During the year, distribution of the Society's portion of the Fund related to spend for restricted purposes amounted to \$54,609 (2020 - \$51,742) as permitted by the aforementioned agreement.

5. Capital assets

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
	\$	\$	\$	\$
Furniture and equipment	412,092	175,048	237,044	239,379
Computer equipment and software	495,807	453,587	42,220	51,982
Equipment under capital lease	33,083	20,953	12,130	19,298
Leasehold improvements	378,928	123,034	255,894	289,384
Works of art and historical treasures	484,925	—	484,925	402,173
	1,804,835	772,622	1,032,213	1,002,216

6. Bank indebtedness

The Society has an operating line of credit available by way of a revolving demand facility available of \$800,000 (\$800,000 in 2020) bearing interest at 3.45% (3.45% in 2020) and secured by a general security agreement guaranteed by the Society. As of June 30, 2021, and 2020, the line of credit is unused.

7. Canada Emergency Business Account (CEBA) loan

As of December 31, 2021, 50 Sussex Drive Inc. has a loan of \$40,000 (\$40,000 in 2020) guaranteed by the Government of Canada under the CEBA program. The loan is interest free until December 31, 2022. Repaying the loan on or before the December 31, 2022 deadline will result in loan forgiveness of 25% (up to \$10,000). 50 Sussex Drive Inc. intends to repay the loan on the deadline to benefit from the loan forgiveness but is however unable to determine if it will be able to do so at that time. After March 31, 2021, any outstanding balance on the revolving \$40,000 line of credit will be converted into a non-revolving term loan maturing on December 31, 2025, at which time the balance must be paid in full. Commencing on January 1, 2023, interest will accrue on the balance of the term loan at the rate of 5% per annum, payable monthly on the last day of each month.

8. Commitments and contingencies

The Society is committed under operating leases for office space and equipment rental. As part of the lease agreement for its office space, the Society has committed to providing in-kind services to the landlord.

Minimum net lease payments for the next two years are as follows:

	Lease payments \$	In-kind services \$	Net lease payments \$
2022	368,418	(200,000)	168,418
2023	276,313	(150,000)	126,313
	<u>644,731</u>	<u>(350,000)</u>	<u>294,731</u>

Amounts included for 2021 also include commitments related to office equipment rental.

9. Capital management

The Society's objectives when managing its capital (net assets) are to safeguard the Society's ability to continue as a not-for-profit organization and as a charitable organization. The Society manages several grants, donations and funding agreements with external restrictions that specify the conditions for using these financial resources. The Society has complied with the requirements respecting these restricted contributions.

The Society monitors its capital by reviewing various financial metrics including cash flows and variances to forecast and budgets.

Capital management objectives, policies and procedures are unchanged from the preceding year.

10. Changes in non-cash operating working capital items

	2021 \$	2020 \$
Accounts and interest receivable	344,453	(134,835)
Inventory	9,260	(5,835)
Government remittances receivable	37,769	161,118
Prepaid expenses	63,474	90,522
Accounts payable and accrued liabilities	(325,591)	16,926
Government remittances payable	113,654	53,146
Deferred revenue - custom publishing	(943,561)	770,814
Deferred revenue - donations	1,434,800	175,750
Deferred circulation revenue	(513,539)	452,656
	220,719	1,580,262

11. Financial instruments

Credit risk

The Society provides credit to its customers in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for potential credit losses. The Society minimizes its credit risk by concluding transactions with a large number of clients across the country.

Liquidity risk

The Society's objective is to have sufficient liquidity to meet its liabilities when due. The Society is exposed to this risk mainly in respect of accounts payable and accrued liabilities. The Society monitors its cash balances and cash flows generated from operations to meet its requirements.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk.

Foreign currency risk

Foreign currency exposure arises from the Society's holdings of non-Canadian denominated investments. Management believes that the investment fund described above does not represent excessive risk. The exposure of the Society to foreign exchange resides in its investment in the Education Fund (Note 4).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Society is exposed to interest rate risk through its investment in the Education Fund (Note 4). The Society also has a line of credit by way of revolving demand facility bearing a variable interest rate. Consequently, the Society's interest rate risk exposure is a function of the change of the prime rate. However, the Society has nil drawn as at June 30, 2021 and therefore the Society's exposure is limited.

11. Financial instruments (continued)

Market risk (continued)

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Society is exposed to this risk through the investment in the Education Fund (Note 4), as the underlying investments within the Fund are traded on active markets.

12. Internal restriction

As at June 30, 2021, the Society internally restricted an amount of \$125,292 (\$125,122 in 2020). The Society has chosen to internally restrict these funds in order to honor the donors' requests that the funds be directed to named funds.

13. COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic, which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of nonessential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

The Society notes that these events have impacted the events operations. The duration and impact of COVID-19 are unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Society in future periods.

14. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.