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

June 30, 2023

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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 statement of financial position as at June 30, 2023, 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, 2023, 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.

Other Matter

Without modifying our opinion, we draw attention to Note 3 to the consolidated financial statements, which describes that certain comparative information presented for the year ended June 30, 2022 has been restated.

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
December 6, 2023

**The Royal Canadian Geographical Society –
La Société Géographique Royale du Canada**
Consolidated statement of revenue and expenses
Year ended June 30, 2023

	2023	2022
	\$	\$
Revenue		
Donations	2,024,304	1,782,301
RCGS/NGS Canadian Geography Education Fund		
Investment earnings	152,593	6,531
Unrealized gain on foreign exchange	36,297	94,373
Magazine		
Circulation	1,424,345	1,694,627
Advertising	429,561	341,831
Canadian Periodical Fund	711,921	822,930
Custom publishing	6,351,689	5,326,356
Fundraising events	258,750	194,742
Government assistance	–	69,433
Events revenue	79,207	12,724
Other	67,929	184,877
	11,536,596	10,530,725
Expenses		
Fundraising	550,262	509,780
Programs	1,195,992	924,806
Magazine		
Circulation	1,016,484	943,312
Advertising	170,432	25,445
Editorial	683,231	555,008
Production	696,863	705,461
New media/internet	–	10,533
Custom publishing	5,297,080	4,626,759
Administration	1,275,065	954,733
Events	241,515	77,752
Rent and occupancy costs	379,028	474,515
Interest	915	10,814
Amortization of capital assets	126,426	96,572
Bad debt expense	–	71,276
	11,633,293	9,986,766
(Deficiency) excess of revenue over expenses	(96,697)	543,959

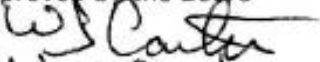
The accompanying notes are an integral part of the consolidated financial statements.

**The Royal Canadian Geographical Society –
La Société Géographique Royale du Canada**
Consolidated statement of financial position
As at June 30, 2023

	Notes	2023 \$	2022 \$ (Restated) (Note 3)
Assets			
Current assets			
Cash		2,026,864	3,328,684
Accounts and interest receivable		2,179,464	1,865,775
Inventory	4	130,878	114,233
Prepaid expenses		99,924	399,212
		4,437,130	5,707,904
Education fund	5	1,360,076	1,305,826
Capital assets	6	1,091,562	1,023,902
		6,888,768	8,037,632
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		1,108,241	1,472,085
Government remittances payable		200,545	339,779
Deferred circulation revenue – current portion		860,591	930,130
Deferred revenue - custom publishing		492,732	546,289
Deferred revenue - donations		1,587,545	1,906,125
		4,249,654	5,194,408
Deferred circulation revenue		383,892	451,305
Canada Emergency Business Account Loan	8	—	40,000
		4,633,546	5,685,713
Commitments and contingencies	9		
Net assets (deficiencies)			
Internally restricted for investment in RCGS/NGS			
Canadian Geography Education Fund	5	1,360,076	1,305,826
Internally restricted	12	136,415	125,551
Invested in capital assets		1,091,562	1,023,902
Unrestricted net assets (deficiencies)		(332,830)	(103,359)
		2,255,223	2,351,920
		6,888,769	8,037,633

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

Approved by the Board


W.S. Carter, Governor


Joseph Fray, Governor

**The Royal Canadian Geographical Society –
La Société Géographique Royale du Canada**
Consolidated statement of changes in net assets (deficiencies)
Year ended June 30, 2023

Notes	Internally restricted for investment in RCGS/NGS Canadian Geography Education Fund \$	Internally restricted \$ (Note 13)	Invested in capital assets \$	Unrestricted \$ (Restated) (Note 3)	Total \$ (Restated) (Note 3)
Balance, June 30, 2021, as previously stated	1,331,642	125,292	1,032,213	(576,492)	1,912,655
Restatement	—	—	—	(104,694)	(104,694)
Balance, June 30, 2021, restated	1,331,642	125,292	1,032,213	(681,186)	1,807,961
Excess of revenue over expenses	—	—	(42,408)	586,367	543,959
Internal restriction	—	259	—	(259)	—
Purchase of capital assets	—	—	34,097	(34,097)	—
Increase in RCGS/NGS Canadian Geography Education Fund	(25,816)	—	—	25,816	—
Balance, June 30, 2022, restated	1,305,826	125,551	1,023,902	(103,359)	2,351,920
Deficiency (excess) of revenue over expenses	—	—	30,247	(126,944)	(96,697)
Internal restriction	—	10,864	—	(10,864)	—
Purchase of capital assets	—	—	37,413	(37,413)	—
Net increase in RCGS/NGS Canadian Geography Education Fund	54,250	—	—	(54,250)	—
Balance, June 30, 2023	1,360,076	136,415	1,091,562	(332,830)	2,255,223

- (1) The previously stated unrestricted and total balances as at June 30, 2022 were respectively \$1,335 and \$2,456,614. The restatement of each balances amount to (\$104,694)
- (2) Excess (deficiency) of revenue over expenses of net assets invested in capital assets comprises contributed works of art and historical treasures amounting \$156,673 (\$54,164 in 2022) less amortization of capital assets amounting to \$126,426 (\$96,572 in 2022).

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, 2023

	Notes	2023	2022
		\$	\$
Operating activities			
Excess of revenue over expenses		(96,697)	543,959
Items not affecting cash			
Amortization of capital assets		126,426	96,572
Canada Emergency Business Account loan forgiveness	8	(10,000)	—
Contributed works of art and historical treasures		(156,673)	(54,164)
		(136,944)	586,367
Changes in non-cash operating working capital items	10	(1,043,213)	(476,522)
		(1,180,157)	109,845
Investing activities			
Purchase of capital assets		(37,413)	(34,097)
Net variation in the RCGS/NGS Canadian Geography Education Fund		(54,250)	25,816
		(91,663)	(8,281)
Financing activity			
Repayment of Canada Emergency Business Account Loan	8	(30,000)	—
Decrease (increase) in cash		(1,301,820)	101,564
Cash, beginning of year		3,328,684	3,227,120
Cash, end of year		2,026,864	3,328,684

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

**The Royal Canadian Geographical Society –
La Société Géographique Royale du Canada**
Notes to the consolidated financial statements
June 30, 2023

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:

Change in accounting policy, Section 3400, Revenue

Effective July 1, 2022, the Society has adopted the amendments to Handbook Section 3400, Revenue (“Section 3400”), which provided additional guidance relating to the accounting for multiple elements of a contract, percentage of completion, determination of principal or agent, and bill and hold transactions. The application of this amendment does not have an impact on the Society’s financial statements.

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 Indigenous Peoples Atlas of Canada publications 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
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

(a) Initial measurement

Financial assets and financial liabilities originated or exchanged in arm's length transactions are initially recognized at fair value when the Society becomes a party to the contractual provisions of the financial instrument.

(b) Subsequent measurement

All financial instruments are subsequently measured at amortized cost except for the investment in RCGS/NGS Canadian Geography Education Fund, which are measured at fair value at the balance sheet date. Investment income earned on investments are included in Investment earnings in the statement of revenue and expenses.

(c) Transaction costs

Transaction costs related to financial instruments subsequently measured at fair value are expensed as incurred. Transaction costs related to other financial instruments 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.

(d) Impairment

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.

2. Significant accounting policies (continued)

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 reasonably 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.

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 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. Restatement of comparative figures

The Society has restated the comparative year's consolidated financial statements to adjust the accrued receivable balance due to an error.

The impact of this restatement on the financial statements for the year ended June 30, 2022, was a decrease to accounts and interest receivable of \$104,696 and a decrease to the unrestricted net assets opening balance by the same amount.

4. Inventory

Included in inventory as at June 30, 2023, is \$130,878 (\$114,233 in 2022) of finished goods. Included in custom publishing expenses are \$9,423 (\$7,377 in 2022) of costs which were expensed through inventory.

5. 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 \$134,640 (\$126,720 in 2022) as permitted by the aforementioned agreement.

6. Capital assets

	Cost \$	Accumulated amortization \$	2023 Net book value \$	2022 Net book value \$
Furniture and equipment	378,444	174,365	204,079	215,761
Computer equipment and software	60,818	53,431	7,387	48,005
Leasehold improvements	384,505	200,171	184,334	221,046
Works of art and historical treasures	695,762	—	695,762	539,089
	1,519,529	427,967	1,091,562	1,023,902

7. 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 2022) bearing interest at 7.95% (4.20% in 2022) and secured by a general security agreement guaranteed by the Society. As of June 30, 2023, and 2022, the line of credit is unused.

8. Canada Emergency Business Account (CEBA) loan

50 Sussex Drive Inc. has a loan of \$nil (\$40,000 in 2022) guaranteed by the Government of Canada under the CEBA program. The loan was interest free until December 31, 2023. Repaying the loan on or before the December 31, 2023 deadline resulted in loan forgiveness of 25% (up to \$10,000). 50 Sussex Drive Inc. repaid \$30,000 during the year and benefited from the loan forgiveness for \$10,000.

9. 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 year is as follows:

	Lease payments \$	In-kind services \$	Net lease payments \$
2024	255,610	(104,100)	151,510

Amounts included for 2024 also include commitments related to office equipment rental.

10. Changes in non-cash operating working capital items

	2023 \$	2022 \$
Accounts and interest receivable	(313,689)	(370,835)
Inventory	(16,645)	(4,948)
Prepaid expenses	299,288	(150,174)
Accounts payable and accrued liabilities	(363,844)	210,804
Government remittances payable	(139,234)	127,807
Deferred revenue - custom publishing	(53,557)	(338,031)
Deferred revenue - donations	(318,580)	37,725
Deferred circulation revenue	(136,952)	11,130
	(1,043,213)	(476,522)

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.

11. Financial instruments (continued)

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 5).

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 5). 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 line of credit was not used as at June 30, 2023 and therefore the Society's exposure is limited.

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 5), as the underlying investments within the Fund are traded on active markets.

12. Internal restriction

As at June 30, 2023, the Society internally restricted an amount of \$136,415 (\$125,551 in 2022). The Society has chosen to internally restrict these funds in order to honor the donors' requests that the funds be directed to named funds.