THE CARDUS INSTITUTE >

consolidated financial statements

>YEAR ENDED DECEMBER 31, 2020

MAC LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

THE CARDUS INSTITUTE>

consolidated financial statements

>YEAR ENDED DECEMBER 31, 2020

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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 balance sheet as at December 31, 2020, and the consolidated statements of operations, 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, 2020, 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
June 4, 2021

LICENSED PUBLIC ACCOUNTANTS
CHARTERED PROFESSIONAL ACCOUNTANTS

THE CARDUS INSTITUTE>

consolidated statement of financial position

>DECEMBER 31, 2020

	2020	2019
assets		
current		
Cash	$ 1,734,821	$ 3,214,845
Guaranteed investment certificates (Note 3)	2,249,941	-
Accounts receivable	12,376	158,373
Government remittances recoverable	44,770	34,005
Prepaid expenses	62,419	105,642
	4,104,327	3,512,865
capital assets (Note 4)	1,289,993	1,066,949
	$ 5,394,320	$ 4,579,814
liabilities		
current		
Accounts payable and accrued liabilities	$ 211,486	$ 96,750
Deferred revenue (Note 6)	2,722,446	2,668,498
Current portion of long term debt	18,893	17,979
	2,952,825	2,783,227
long term debt (Note 7)	352,513	371,403
	3,305,338	3,154,630
commitments (Note 8)		
net assets		
Net invested in capital assets	918,589	677,567
Unrestricted net assets	1,170,393	747,617
	2,088,982	1,425,184
	$ 5,394,320	$ 4,579,814

Approved on behalf of the board:

Director　　　　Director

THE CARDUS INSTITUTE>

consolidated statement of changes in net assets

>YEAR ENDED DECEMBER 31, 2020

	invested in capital assets	unrestricted	2020 total	2019 total
balance, beginning of year	$ 677,567	$ 747,617	$ 1,425,184	$ 1,263,463
Excess of revenue over expense for year	(93,555)	757,353	663,798	161,721
Investment in capital assets	334,577	(334,577)	-	-
balance, end of year	$ 918,589	$ 1,170,393	$ 2,088,982	$ 1,425,184

THE CARDUS INSTITUTE>

consolidated statement of operations

>YEAR ENDED DECEMBER 31, 2020

	2020	2019
revenue		
Donations	$ 4,069,927	$ 4,165,974
Activity income	486,912	539,790
Reimbursements	2,841	8,007
Rental income	62,100	55,581
Government subsidies	377,784	-
Foreign exchange loss	128	(18,117)
	4,999,692	4,751,235
expenses		
Amortization	93,555	97,106
Bank charges and interest	18,442	48,101
Event Expenses	44,137	170,818
Human resources	2,778,783	2,754,548
Interest on long term debt	17,782	16,402
Marketing and promotion	154,679	173,321
Meals and entertainment	23,924	52,163
Meeting expenses	5,676	12,035
Office expenses and miscellaneous	224,583	188,802
Professional fees	92,587	24,306
Project costs	331,582	418,481
Rent and utilities	432,630	305,649
Telecommunications	29,936	30,165
Travel	87,598	297,617
	4,335,894	4,589,514
excess of revenue over expenses for year	$ 663,798	$ 161,721

THE CARDUS INSTITUTE>

consolidated statement of cash flows

>YEAR ENDED DECEMBER 31, 2020

	2020	2019
operating activities		
Excess of revenue over expenses for year	$ 663,798	$ 161,721
Adjustments for:		
Amortization	93,555	97,106
	757,353	258,827
Changes in non-cash working capital:		
Decrease in accounts receivable	145,997	50,226
Decrease in prepaid expenses	43,223	(74,918)
Increase in accounts payable and accrued liabilities	114,738	(183,670)
Increase in deferred revenue	53,948	2,547,433
Increase in government remittances receivable	(10,765)	(11,332)
	1,104,494	2,586,566
financing activities		
Repayment of long term debt	(17,976)	(65,882)
investing activities		
Purchase of capital assets	(316,601)	(72,529)
Net increase in guaranteed investment certificates	(2,249,941)	-
Net change in cash for the year	(1,480,024)	2,448,155
Cash Balance, beginning of year	3,214,845	766,690
cash balance, end of year	$ 1,734,821	$ 3,214,845

notes to consolidated financial statements

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, Cardus, Inc. US, formerly Work Research Foundation US, a controlled US-based non-profit organization, as well as Work Research Supporters Inc. (WRS), a controlled Canadian-based not-for-profit corporation and its subsidiary Big Road Partners Inc, a Canadian-based for-profit corporation. Cardus, Inc. and WRS are both controlled by virtue of a common Board of Directors. 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 wage subsidy is recognized as revenue in the year in which the underlying expenses are incurred.

Financial Instruments

Measurement - The Group initially measures its financial assets and liabilities at fair value. The Group subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in the statement of operations.

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

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long term debt.

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, $Nil (2019 - $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

	2020	2019
Interest at 1.94%, maturing January 2021	$ 999,941	$ -
Interest at 0.55%, maturing July 2021	1,000,000	-
Interest at 0.55% maturing July 2021	250,000	-
	$ 2,249,941	$ -

Subsequent to year end, funds from matured investments were reinvested for 1 year at 0.50%.

4. capital assets

	cost	accumulated amortization	net 2020	net 2019
Land	$ 150,000	$ -	$ 150,000	$ 150,000
Building	711,117	170,085	541,032	561,395
Leasehold improvements	749,053	196,965	552,088	313,758
Computer equipment	87,900	69,768	18,132	5,279
Furniture and fixtures	189,927	161,186	28,741	36,517
	$ 1,887,997	$ 598,004	$ 1,289,993	$ 1,066,949

5. credit facilities

The Group has a $850,000 operating line of credit bearing interest at prime plus 1.25%, of which $Nil (2019 - $Nil) was used at year end. As collateral for the operating facility, the Group has provided a general security agreement, guarantee by Big Road Partners Inc. and a collateral mortgage on the land and building with a carrying value of $691,032.

6. 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:

	2020	2019
Balance, beginning of year	$ 2,668,498	$ 121,065
Amounts received designated for specific projects	597,445	2,988,070
Amounts recognized as revenue in the year	(543,497)	(440,637)
Balance, end of year	$ 2,722,446	$ 2,668,498

7. long term debt

	2020	2019
4.70% bank term loan payable in monthly instalments of $2,980 including interest, secured by land and building with a carrying value of 691,032, due January 2024.	$ 371,406	$ 389,382
Less portion due within one year.	18,893	17,979
	$ 352,513	$ 371,403

The aggregate amount of principal payments required on the long term debt in each of the next four years is as follows:

2021	$ 18,893
2022	$ 19,731
2023	$ 20,599
2024	$ 312,183

8. commitments

The Group is obligated under leasing contracts for the premises from which it operates. The leases expire between June 2021 and March 2025 and the future minimum lease payments in each of the next five years are as follows:

2021	$ 261,812
2022	$ 181,846
2023	$ 184,454
2024	$ 187,063
2025	$ 46,929

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, 2020, cash, accounts receivable, accounts payable and accrued liabilities of $125,981, $214 and $17,130 respectively (2019 - $218,079, $1,123 and $5,759) 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.

10. uncertainty due to global pandemic

The impact of COVID-19 in Canada and on the global economy has increased significantly since March 2020. This has resulted in worldwide emergency measures to combat the spread of the virus.

Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of the business disruption and the related financial impact cannot be reasonably estimated at this time.