THE CARDUS INSTITUTE >

consolidated financial statements

>YEAR ENDED DECEMBER 31, 2021

MAC LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

THE CARDUS INSTITUTE>

consolidated financial statements

>YEAR ENDED DECEMBER 31, 2021

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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 statement of financial position as at December 31, 2021, and the consolidated statements of operations, changes in net assets 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, 2021, 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
May 26, 2022

LICENSED PUBLIC ACCOUNTANTS
CHARTERED PROFESSIONAL ACCOUNTANTS

THE CARDUS INSTITUTE>

consolidated statement of financial position

>DECEMBER 31, 2021

	2021	2020
assets		
current		
Cash	$ 1,810,808	$ 1,734,821
Guaranteed investment certificates (Note 3)	999,999	2,249,941
Accounts receivable	55,557	12,376
Government remittances recoverable	74,361	44,770
Prepaid expenses	106,582	62,419
	3,047,307	4,104,327
capital assets (Note 4)	2,336,854	1,289,993
	$ 5,384,161	$ 5,394,320
liabilities		
current		
Accounts payable and accrued liabilities	$ 262,960	$ 211,486
Deferred revenue (Note 6)	1,930,000	2,722,446
Current portion of long term debt	19,731	18,893
	2,212,691	2,952,825
long term debt (Note 7)	332,714	352,513
	2,545,405	3,305,338
commitments (Note 8)		
net assets		
Net invested in capital assets	1,984,409	918,589
Unrestricted net assets	854,347	1,170,393
	2,838,756	2,088,982
	$ 5,384,161	$ 5,394,320

Approved on behalf of the board:

Director

Director

THE CARDUS INSTITUTE>

consolidated statement of changes in net assets

>YEAR ENDED DECEMBER 31, 2021

	invested in capital assets	unrestricted	2021 total	2020 total
balance, beginning of year	$ 918,589	$ 1,170,393	$ 2,088,982	$ 1,425,184
Excess of revenue over expense for year	(182,677)	932,451	749,774	663,798
Investment in capital assets	1,248,497	(1,248,497)	-	-
balance, end of year	$ 1,984,409	$ 854,347	$ 2,838,756	$ 2,088,982

THE CARDUS INSTITUTE>

consolidated statement of operations

>YEAR ENDED DECEMBER 31, 2021

	2021	2020
revenue		
Donations	$ 5,036,592	$ 4,069,927
Activity income	427,180	486,912
Reimbursements	378	2,841
Rental income	64,663	62,100
Government subsidies	476,482	377,784
Foreign exchange gain	1,035	128
	6,006,330	4,999,692
expenses		
Advertising and promotion	11,079	-
Amortization	182,677	93,555
Bank charges and interest	23,096	18,442
Computer	77,706	-
Event Expenses	331,343	44,137
Human resources	2,988,530	2,778,783
Interest on long term debt	16,797	17,782
Marketing and promotion	282,454	154,679
Meals and entertainment	12,237	23,924
Meeting expenses	13,488	5,676
Office expenses and miscellaneous	279,278	224,583
Professional fees	26,064	92,587
Project costs	345,098	331,582
Rent and utilities	446,247	432,630
Telecommunications	33,791	29,936
Travel	186,671	87,598
	5,256,556	4,335,894
excess of revenue over expenses for year	$ 749,774	$ 663,798

THE CARDUS INSTITUTE>

consolidated statement of cash flows

>YEAR ENDED DECEMBER 31, 2021

	2021	2020
operating activities		
Excess of revenue over expenses for year	$ 749,774	$ 663,798
Adjustments for:		
Amortization	182,677	93,555
	932,451	757,353
Changes in non-cash working capital:		
Accounts receivable	(43,181)	145,997
Prepaid expenses	(44,163)	43,223
Accounts payable and accrued liabilities	51,472	114,738
Deferred revenue	(792,446)	53,948
Government remittances receivable	(29,591)	(10,765)
	74,542	1,104,494
financing activities		
Repayment of long term debt	(18,961)	(17,976)
investing activities		
Purchase of capital assets	(1,229,536)	(316,601)
Net decrease in guaranteed investment certificates	1,249,942	(2,249,941)
	20,406	(2,566,542)
Net change in cash for the year	75,987	(1,480,024)
Cash Balance, beginning of year	1,734,821	3,214,845
cash balance, end of year	$ 1,810,808	$ 1,734,821

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 subsidies are recognized as revenue in the year in which the underlying expenses are incurred.

Financial Instruments

Initial measurement - The Group initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If it does, the cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise, the cost is determined using the consideration transferred or received by the Group in the transaction.

Subsequent measurement - The Group subsequently measures all its financial assets and financial liabilities originated or exchanged in arm's length transactions at amortized cost.

Financial assets and financial liabilities originated in related party transactions are subsequently measured at cost. Any reduction for impairment is recognized in net income, in the period incurred.

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

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 (2020 - $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

	2021	2020
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
Interest at 0.50%, maturing January 2022	999,999	-
	$ 999,999	$ 2,249,941

4. capital assets

	cost	accumulated amortization	net 2021	net 2020
Land	$ 150,000	$ -	$ 150,000	$ 150,000
Building	711,117	190,447	520,670	541,032
Leasehold improvements	1,601,343	299,172	1,302,171	552,088
Computer equipment	99,694	79,718	19,976	18,132
Furniture and fixtures	555,380	211,343	344,037	28,741
	$ 3,117,534	$ 780,680	$ 2,336,854	$ 1,289,993

5. credit facilities

The Group has a $850,000 operating line of credit bearing interest at prime plus 1.25%, of which $Nil (2020 - $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 $670,670.

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:

	2021	2020
Balance, beginning of year	$ 2,722,446	$ 2,668,498
Amounts received designated for specific projects	450,000	597,445
Amounts recognized as revenue in the year	(1,242,446)	(543,497)
Balance, end of year	$ 1,930,000	$ 2,722,446

7. long term debt

	2021	2020
4.70% bank term loan payable in monthly instalments of $2,980 including interest, secured by land and building with a carrying value of 670,670, due January 2024.	$ 352,445	$ 371,406
Less portion due within one year.	19,731	18,893
	$ 332,714	$ 352,513

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

2022	$ 19,731
2023	$ 20,599
2024	$ 312,114

8. commitments

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

2022	$ 337,106
2023	$ 342,007
2024	$ 346,909
2025	$ 127,138

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, 2021, cash, accounts receivable, accounts payable and accrued liabilities of $109,179, $3,395 and $17,222 respectively (2020 - $125,981, $214 and $17,130) 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.