

EDITORS' ASSOCIATION OF CANADA / ASSOCIATION CANADIENNE DES RÉVISEURS

Consolidated Financial Statements

December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Members of Editors' Association of Canada / Association canadienne des réviseurs

Opinion

We have audited the consolidated financial statements of Editors' Association of Canada / Association canadienne des réviseurs ("Editors"), which comprise the 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 financial position of Organization as at December 31, 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. 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 Organization 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 those 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 Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Organization'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.

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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 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 Editors' 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 Editors' 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 Editors 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.

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.

Hogg, Shain & Scheck PC

Toronto, Ontario
May 24, 2022

Authorized to practise public accounting by the
Chartered Professional Accountants of Ontario

EDITORS' ASSOCIATION OF CANADA / ASSOCIATION CANADIENNE DES RÉVISEURS

Consolidated Statement of Financial Position

As at December 31, 2021

	2021	2020
ASSETS		
CURRENT		
Cash (Note 3)	\$ 412,801	\$ 232,184
Guaranteed investment certificates (Note 4)	50,400	36,356
Accounts receivable	12,446	57,745
Prepaid expenses and other assets	19,012	18,335
	<u>\$ 494,659</u>	<u>\$ 344,620</u>
LIABILITIES		
CURRENT		
Government remittances payable	\$ 5,173	\$ 10,686
Accounts payable and accrued liabilities	29,325	53,380
Deferred revenues (Note 5)	27,773	18,370
Awards and scholarship funds (Note 6)	6,408	6,408
	<u>68,679</u>	<u>88,844</u>
CANADA EMERGENCY BUSINESS ACCOUNT LOAN (Note 7)	<u>60,000</u>	<u>40,000</u>
	<u>128,679</u>	<u>128,844</u>
NET ASSETS		
UNRESTRICTED	181,089	52,327
INTERNALLY RESTRICTED FOR THE BRANCHES	142,751	126,056
INTERNALLY RESTRICTED FOR THE TWIGS	42,140	37,393
	<u>365,980</u>	215,776
	<u>\$ 494,659</u>	<u>\$ 344,620</u>

COMMITMENTS (Note 8)

APPROVED ON BEHALF OF THE BOARD

J. Bunjola Director

Breanne MacDonald Director

See the accompanying notes to these financial statements

EDITORS' ASSOCIATION OF CANADA / ASSOCIATION CANADIENNE DES RÉVISEURS

Consolidated Statement of Operations

Year Ended December 31, 2021

	2021	2020
REVENUES		
Membership fees	\$ 280,047	\$ 273,482
Conference fees	133,911	-
Webinars	74,341	81,209
Digital product sales	39,385	38,241
Branch and Twig revenues	29,640	21,360
Publications	22,946	25,795
Government grants	16,819	-
Certification	12,825	6,475
Interest and other	5,600	6,026
Donations	529	5,119
Awards <i>(Note 6)</i>	500	2,200
	<u>616,543</u>	<u>459,907</u>
EXPENSES		
Staffing	214,380	183,071
Professional fees	92,288	106,052
Administration	73,583	61,251
Conference	45,421	539
Branch and Twig expenses	38,863	43,556
Rent <i>(Note 8)</i>	21,656	24,143
Awards <i>(Note 6)</i>	3,000	4,400
Printing and design	2,425	405
Travel and other event	26	4,084
	<u>491,642</u>	<u>427,501</u>
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	124,901	32,406
OTHER INCOME		
Government assistance <i>(Note 9)</i>	25,303	67,952
EXCESS OF REVENUES OVER EXPENSES	\$ 150,204	\$ 100,358

See the accompanying notes to these financial statements

EDITORS' ASSOCIATION OF CANADA / ASSOCIATION CANADIENNE DES RÉVISEURS

Consolidated Statement of Changes in Net Assets

Year Ended December 31, 2021

	Unrestricted	Internally Restricted for the Branches	Internally Restricted for the Twigs	2021	2020
NET ASSETS - BEGINNING OF YEAR	\$ 52,327	\$ 126,056	\$ 37,393	\$ 215,776	\$ 115,418
Excess of revenues over expenses	128,762	16,695	4,747	150,204	100,358
NET ASSETS - END OF YEAR	\$ 181,089	\$ 142,751	\$ 42,140	\$ 365,980	\$ 215,776

See the accompanying notes to these financial statements

EDITORS' ASSOCIATION OF CANADA / ASSOCIATION CANADIENNE DES RÉVISEURS**Consolidated Statement of Cash Flows****Year Ended December 31, 2021**

	2021	2020
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 150,204	\$ 100,358
Changes in non-cash working capital:		
Accounts receivable	45,299	(42,680)
Prepaid expenses and other assets	(677)	(9,316)
Government remittances payable	(5,513)	3,456
Accounts payable and accrued liabilities	(24,055)	21,103
Deferred revenues	9,403	6,015
	24,457	(21,422)
Cash flows from operating activities	174,661	78,936
INVESTING ACTIVITY		
Purchase of guaranteed investment certificates	(14,044)	(465)
FINANCING ACTIVITY		
Proceeds from Canada Emergency Business Account loan	20,000	40,000
INCREASE IN CASH	180,617	118,471
CASH - BEGINNING OF YEAR	232,184	113,713
CASH - END OF YEAR	\$ 412,801	\$ 232,184

See the accompanying notes to these financial statements

1. NATURE AND PURPOSE OF THE ORGANIZATION

Editors' Association of Canada/Association canadienne des réviseurs ("Editors") was incorporated without share capital as a not-for-profit organization under the Canada Corporations Act in March 1982, and was continued under the Canada Not-for-Profit Corporations Act effective August 22, 2014.

Editors represents editors in Canada who work in many forms of print as well as in other media. Editors promotes professional editing, as key in producing effective communication. At year end, approximately 1,250 (2020 - 1,200) members work with individuals in the corporate, technical, government, not-for-profit and publishing sectors. Editors sponsors professional development seminars, promotes and maintains high standards of editing and publishing in Canada, establishes guidelines to help editors secure fair pay and good working conditions, helps both in-house and freelance editors to network, and cooperates with other publishing associations in areas of common concern.

Editors is governed at the national level by an executive council. There are five regional branches and nine regional twigs across the country providing a range of local programming and services to both members and non-members.

As a not-for-profit organization, Editors is exempt from income taxes under subsection 149(1)(f) of the Income Tax Act (Canada).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements are the representation of management and have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

Basis of consolidation

The consolidated financial statements include the accounts of organization, five regional branches (British Columbia, Ottawa-Gatineau, Quebec, Saskatchewan and Toronto) and eight regional twigs (Barrie, Calgary, Edmonton, Hamilton-Halton, Kingston, Kitchener-Waterloo-Guelph, Manitoba and Atlantic). All inter-branch and inter-twig transactions have been eliminated upon consolidation.

Revenue recognition

Editors follows the deferral method of accounting for contributions, which includes donations and government grants. Unrestricted contributions are recognized as revenues when received or receivable, provided that contributions receivable can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as revenues in the year in which the related activities are carried out and expenses incurred.

Membership, conference, webinars and certification, interest and other, awards and branches and twigs are recognized as revenues in the fiscal year to which they relate.

Revenues from digital product and publication sales are recognized upon completion of performance, provided the amount of revenue is reasonably determinable and collectible.

Government assistance revenues, including the Canada Emergency Wage Subsidy and Canada Emergency Commercial Rent Assistance, are recognized on an accrual basis in the year the related eligible expenses are incurred.

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Notes to Consolidated Financial Statements

Year Ended December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted net assets

Net assets, which are internally restricted for use of the five regional branches (British Columbia, Ottawa-Gatineau, Quebec, Saskatchewan and Toronto), are for expenses relating to meetings, events and services for members in those branches.

Net assets, which are internally restricted for use of the nine regional twigs (Barrie, Calgary, Edmonton, Hamilton-Halton, Kingston, Kitchener-Waterloo-Guelph, Manitoba and Atlantic), are for expenses relating to meetings, events and services for members in those twigs.

Financial instruments

Editors initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost.

The financial assets subsequently measured at amortized cost include cash, guaranteed investment certificates and accounts receivable. The financial liabilities measured at amortized cost include accounts payable.

Impairment of financial instruments

Financial assets measured at cost or amortized cost are tested for impairment if there are indications of possible impairment. A previously recognized impairment loss may be reversed to the extent of the improvement, either 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 loss not been recognized previously. The amount of any write down or reversal is recognized in excess of revenues over expenses.

Contributed services

Volunteers contribute time to assist Editors in carrying out its programs. Contributed services are not recognized in the financial statements.

Use of estimates

The preparation of 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 at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant estimates incorporated into Editors' financial statements include year end accruals, eligibility for government assistance revenues and the collectability of accounts receivable. These estimates are reviewed periodically and adjustments are made to excess of revenues over expenses as appropriate in the year they become known.

3. CASH

	<u>2021</u>		<u>2020</u>
National office	\$ 317,131	\$	131,721
Branches	95,670		100,463
	\$ 412,801	\$	232,184

4. FINANCIAL INSTRUMENTS

Guaranteed investment certificates at December 31, 2021 are \$50,400 (2020 - \$36,356), bear interest at rates ranging from 0.1% to 2.2% (2020 - 1% to 2.5%) and have maturity dates ranging from February 27, 2022 to December 20, 2026 (2020 - January 22, 2021 to December 14, 2023).

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Notes to Consolidated Financial Statements

Year Ended December 31, 2021

4. FINANCIAL INSTRUMENTS (continued)

It is management's opinion that Editors is not exposed to significant credit, liquidity, currency, interest rate, market, or other price risks arising from its financial instruments.

5. DEFERRED REVENUES

Deferred revenues at December 31 consist of the following:

	2021	2020
Membership revenues for the subsequent fiscal year	\$ 17,483	\$ 12,150
Department of Canadian Heritage	8,450	-
Online directory of editors	1,840	1,200
Conference sponsorship	-	1,250
Branch revenues (Pro-D workshop)	-	3,770
	\$ 27,773	\$ 18,370

The continuity of deferred revenues for the year is as follows:

Balance, beginning of year	\$ 18,370	\$ 12,355
Add: amounts received during the year	537,086	398,947
Less: amounts recognized as revenue in the year	(527,683)	(392,932)
	\$ 27,773	\$ 18,370

6. AWARDS AND SCHOLARSHIP FUNDS

Fairley Award

The Tom Fairley Award for Editorial Excellence was established in 1983 and is presented annually. Editors received contributions of \$9,500 in 2002 from various sources to be used to recognize excellence in editing.

Editors decided to endow the award such that \$2,000 (2020 - \$2,000) of the award fund balance would be awarded annually. In 2019, the fund was fully depleted.

For the current year, a total annual prize of \$2,000 (2020 - \$3,000) was awarded; \$2,000 was paid from operations.

Claudette Upton Scholarship

Established in 2009, the award is named after the Editors' honorary life member, Claudette Reed Upton-Keeley, a gifted editor who loved the English language and was actively involved in social justice and environmental causes throughout her life.

This is a \$1,000 scholarship to help support continuing professional development in editing and is to be funded by specific contributions from members. The winner is encouraged to use the prize to attend Editors' national conference, purchase its publications or attend its workshops.

For the current year, a \$1,000 scholarship was awarded; \$500 paid from operations and the remaining \$500 was from a contribution received during the year.

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6. AWARDS AND SCHOLARSHIP FUNDS (continued)

Karen Virag Award

Established in 2014 in memory of long time member Karen Virag, this award acknowledges an individual or organization's successful efforts to raise the profile of editing in the community. In 2021, Editors did not give out the award.

The continuity of this award fund is as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 6,408	\$ 6,408
Add: Contributions received in the year	-	400
Less: Annual award	-	(400)
	<u>6,408</u>	<u>6,408</u>
Balance, end of year	\$ 6,408	\$ 6,408

7. CANADA EMERGENCY BUSINESS ACCOUNT LOAN

Editors received the Canada Emergency Business Account ("CEBA") which is an interest free loan of \$60,000 to assist with immediate operating cash flow needs due to the COVID-19 pandemic. The loan is interest-free for the initial term up to December 31, 2023. As part of the program, \$20,000 of the loan will be forgiven if \$40,000 is repaid in full on or before December 31, 2023. From the period commencing January 1, 2024 to the extended term date of December 31, 2025, the loan bears an annual interest rate of 5%.

8. COMMITMENTS

Editors leases premises under a long-term lease that expires on January 31, 2024. Under the terms of the lease, Editors is required to pay a minimum rent plus its proportionate share of operating expenses and property taxes.

organization leases office equipment which expires in March 2021 and October 2024.

Future minimum lease payments as at year end are as follows:

2022	\$ 24,147
2023	24,613
2024	<u>2,565</u>
	<u>\$ 51,325</u>

9. GOVERNMENT ASSISTANCE

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic, which resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 are unknown at this time. It is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results of Editors in future periods. Management continues to closely monitor and assess the impact on operations.

As part of the response to COVID-19, the federal government introduced the Canada Emergency Wage Subsidy ("CEWS") to assist employers whose activities have been affected by COVID-19. For the period of January 1 to December 31, 2021, Editors applied for and received \$20,978 (2020 - \$66,243).

In addition to the CEWS, Editors applied for the Canadian Emergency Rent Subsidy ("CERS") which is to assist Canadian businesses, non-profit organizations, or charities who have seen a drop in revenues during the COVID-19 pandemic by providing part of their commercial rent and occupancy expenses. For the period of January 1 to December 31, 2021, Editors applied for and received \$4,325 (2020 - \$1,709).
