

THE CARDUS INSTITUTE >

consolidated financial statements

>YEAR ENDED DECEMBER 31, 2024

THE CARDUS INSTITUTE>

consolidated financial statements

>YEAR ENDED DECEMBER 31, 2024

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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, 2024, 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, 2024, 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 29, 2025

LICENSED PUBLIC ACCOUNTANTS
CHARTERED PROFESSIONAL ACCOUNTANTS

THE CARDUS INSTITUTE>

consolidated statement of financial position

>DECEMBER 31, 2024

	2024	2023
<i>assets</i>		
current		
Cash	\$ 2,600,905	\$ 1,194,382
Guaranteed investment certificates (Note 3)	500,000	500,100
Accounts receivable	476,797	191,122
Government remittances recoverable	43,692	105,715
Prepaid expenses	<u>117,130</u>	<u>91,729</u>
	3,738,524	2,083,048
Capital assets (Note 4)	<u>2,712,136</u>	<u>3,060,065</u>
	<u>\$ 6,450,660</u>	<u>\$ 5,143,113</u>
<i>liabilities</i>		
current		
Bank loans	\$ 1,000,000	\$ 55,000
Accounts payable and accrued liabilities	109,140	475,508
Deferred revenue (Note 6)	<u>724,081</u>	<u>405,000</u>
	<u>1,833,221</u>	<u>935,508</u>
commitments (Note 8)		
<i>net assets</i>		
Net invested in capital assets	2,712,136	3,060,065
Unrestricted net assets	<u>1,905,303</u>	<u>1,147,540</u>
	<u>4,617,439</u>	<u>4,207,605</u>
	<u>\$ 6,450,660</u>	<u>\$ 5,143,113</u>

Approved on behalf of the board:

Director

Director

THE CARDUS INSTITUTE>

consolidated statement of changes in net assets

>YEAR ENDED DECEMBER 31, 2024

	invested in capital assets		unrestricted	2024 total	2023 total
balance, beginning of year	\$ 3,060,065	\$ 1,147,540		\$ 4,207,605	\$ 4,184,779
Excess of revenue over expense for year	(506,125)	915,959		409,834	22,826
Investment in capital assets	<u>158,196</u>	<u>(158,196)</u>		-	-
balance, end of year	<u>\$ 2,712,136</u>	<u>\$ 1,905,303</u>		<u>\$ 4,617,439</u>	<u>\$ 4,207,605</u>

THE CARDUS INSTITUTE>

consolidated statement of operations

>YEAR ENDED DECEMBER 31, 2024

	2024	2023
revenue		
Donations	\$ 7,497,198	\$ 7,086,738
Activity income	324,631	441,267
Reimbursements	800	509
Rental income	2,100	-
Gain on disposal	2,977	14,428
Unrealized gain	70	2,573
Foreign exchange loss	<u>33,138</u>	<u>(24,901)</u>
	<u>7,860,914</u>	<u>7,520,614</u>
expenses		
Advertising and promotion	56,274	63,274
Amortization	506,125	381,758
Bank charges and interest	37,708	33,046
Computer (Note 7)	56,922	113,329
Event Expenses	279,884	340,520
Human resources	4,397,674	3,719,372
Marketing and promotion	436,355	526,770
Meals and entertainment	3,306	5,736
Meeting expenses	22,503	28,341
Office expenses and miscellaneous (Note 7)	303,552	256,392
Professional fees	28,569	234,449
Project costs	254,244	702,874
Rent and utilities	529,693	541,559
Telecommunications	22,945	32,532
Travel	<u>515,326</u>	<u>517,836</u>
	<u>7,451,080</u>	<u>7,497,788</u>
excess of revenue over expenses for year	<u>\$ 409,834</u>	<u>\$ 22,826</u>

THE CARDUS INSTITUTE>

consolidated statement of cash flows

>YEAR ENDED DECEMBER 31, 2024

	2024	2023
operating activities		
Excess of revenue over expenses for year	\$ 409,834	\$ 22,826
Adjustments for:		
Amortization	<u>506,125</u>	<u>381,758</u>
	915,959	404,584
Changes in non-cash working capital:		
Accounts receivable	(285,675)	(88,723)
Prepaid expenses	(25,401)	133,574
Accounts payable and accrued liabilities	(366,369)	244,021
Deferred revenue	319,081	(1,113,092)
Government remittances receivable	<u>62,023</u>	<u>(54,456)</u>
	<u>619,618</u>	<u>(474,092)</u>
financing activities		
Line of credit	<u>945,000</u>	<u>55,000</u>
investing activities		
Purchase of capital assets	(158,195)	(1,900,221)
Guaranteed investment certificates	100	(500,100)
Long term investments	<u>-</u>	<u>493,182</u>
	<u>(158,095)</u>	<u>(1,907,139)</u>
Net change in cash for the year	1,406,523	(2,326,231)
Cash Balance, beginning of year	<u>1,194,382</u>	<u>3,520,613</u>
cash balance, end of year	<u>\$ 2,600,905</u>	<u>\$ 1,194,382</u>

notes to consolidated financial statements

>DECEMBER 31, 2024

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 and Cardus, Inc. US, formerly Work Research Foundation US, a controlled US-based non-profit organization. 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.

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.

notes to consolidated financial statements

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Transaction costs - The Group recognizes its transaction costs attributable to financial instruments subsequently measured at fair value and to those originated or exchanged in a related party transaction in income in the period incurred. Transaction costs related to financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at costs or amortized cost are recognized in the original cost of the instrument. When the instrument is measured at amortized cost, transaction costs are recognized in income over the life of the instrument using the straight line method.

Impairment - For financial assets measured at cost or amortized cost, the Group determines whether there are indications of possible impairment. When there are, and the Group determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write down is recognized in income. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may be 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 in net income.

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.

Cloud Computing Arrangements - At the inception of a cloud computing arrangement, the Group allocates the consideration to significant separable elements based on their specific sales price. Development costs and costs related to the right to use a tangible asset are recognized according to the applicable accounting policies for such elements.

To account for expenditures in a cloud computing arrangement that fall within the scope of AcG-20, Customer's Accounting for Cloud Computing Arrangements, the Group has opted for the simplification approach. Accordingly, such expenditures are treated as the supply of services and recognized as an expense when the services are received. These expenses are presented under the "Office expenses and miscellaneous" and "Computer" lines on the income statement.

The Group recognizes prepayments as an asset when payments are made in advance for services not yet received. These prepayments are subsequently expensed as the services are consumed.

Costs related to implementation activities, including configuration and customization, are expensed as incurred unless they meet the criteria for capitalization under other applicable accounting standards.

notes to consolidated financial statements

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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 (2023 - \$30,300) 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

	2024	2023
Interest at 4.78%, matured during the year	\$ -	\$ 500,100
Interest at 3.875%, maturing January 2025	<u>500,000</u>	<u>-</u>
	<u>\$ 500,000</u>	<u>\$ 500,100</u>

4. capital assets

	cost	accumulated amortization	net 2024	net 2023
Leasehold improvements	\$ 3,302,204	\$ 1,033,938	\$ 2,268,266	\$ 2,537,182
Computer equipment	251,604	163,949	87,655	74,073
Furniture and fixtures	<u>897,034</u>	<u>540,819</u>	<u>356,215</u>	<u>448,810</u>
	<u>\$ 4,450,842</u>	<u>\$ 1,738,706</u>	<u>\$ 2,712,136</u>	<u>\$ 3,060,065</u>

notes to consolidated financial statements

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5. credit facilities

The Group has a \$850,000 operating line of credit bearing interest at prime plus 1.25%, of which \$Nil (2023 - \$55,000) was used at year end.

As collateral for the operating facility, the Group has provided a general security agreement, constituting a first ranking security interest in all personal property of the borrower.

The Group has a \$1,000,000 operating loan that bears no interest, of which \$1,000,000 (2023 - \$Nil) was used at year end.

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:

	2024	2023
Balance, beginning of year	\$ 405,000	\$ 1,105,000
Amounts received designated for specific projects	836,289	-
Amounts recognized as revenue in the year	<u>(517,208)</u>	<u>(700,000)</u>
Balance, end of year	<u>\$ 724,081</u>	<u>\$ 405,000</u>

7. cloud computing arrangements

The Group applies the simplification method outlined in AcG-20, Customer's Accounting for Cloud Computing Arrangements, for recognizing cloud computing arrangements with suppliers. During the year, the Group expensed \$166,218 (2023 - \$128,479) related to these arrangements. These expenses are presented under the "Office expenses and miscellaneous" and "Computer" lines on the income statement.

8. commitments

The Organization is obligated under leasing contracts for the premises from which it operates. The leases expire at various times and the future minimum lease payments in each of the next five years are as follows:

2025	\$ 459,116
2026	\$ 462,776
2027	\$ 415,306
2028	\$ 371,723
2029	\$ 376,835

notes to consolidated financial statements

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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, 2024, cash, accounts receivable, accounts payable and accrued liabilities of \$492,126, \$268,222 and \$33,358 respectively (2023 - \$340,682, \$6,827 and \$28,785) 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.