

Consolidated financial statements of

**The Royal Canadian  
Geographical Society -  
La Société Géographique  
Royale du Canada**

June 30, 2017

**The Royal Canadian Geographical Society -  
La Société Géographique Royale du Canada**  
June 30, 2017

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## Independent Auditor's Report

To the Members of  
The Royal Canadian Geographical Society -  
La Société géographique royale du Canada

We have audited the accompanying consolidated financial statements of The Royal Canadian Geographical Society - La Société Géographique Royale du Canada (the "Society"), which comprise the consolidated balance sheet as at June 30, 2017, and the consolidated statements of revenue and expenses, changes in net assets (deficiencies) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Society as at June 30, 2017 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.

The image shows a handwritten signature in blue ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants  
Licensed Public Accountants  
October 27, 2017

# The Royal Canadian Geographical Society - La Société Géographique Royale du Canada

Consolidated statement of revenue and expenses  
year ended June 30, 2017

	2017	2016
	\$	\$
<b>Revenue</b>		
Donations	873,703	668,737
Education	135,611	208,137
RCGS/NGS Canadian Geography Education Fund		
Investment earnings	124,160	65,397
Gain on foreign exchange	4,564	33,682
Magazine		
Circulation	1,944,941	1,953,236
Advertising	643,342	1,010,204
Canadian Periodical Fund	720,145	720,365
Custom publishing	3,960,680	2,618,607
Victoria Strait Expedition	-	85,388
Events	249,375	162,405
Other	35,645	72,249
	<b>8,692,166</b>	<b>7,598,407</b>
<b>Expenses</b>		
Fundraising	168,351	154,678
Programs	228,279	150,837
Magazine		
Circulation	1,210,383	1,276,163
Advertising	177,189	345,497
Editorial	362,341	368,426
Production	1,307,038	1,556,842
New media/internet	203,633	242,979
Custom publishing	2,639,903	1,634,581
Victoria Strait Expedition	-	81,359
Administration	1,067,593	1,178,946
Events	191,493	106,481
Rent and occupancy costs	315,551	340,324
Interest	25	287
Amortization of capital assets	24,293	19,914
	<b>7,896,072</b>	<b>7,457,314</b>
<b>Excess of revenue over expenses</b>	<b>796,094</b>	<b>141,093</b>

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

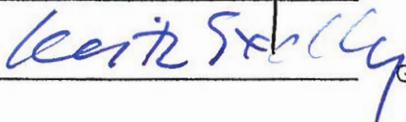
# The Royal Canadian Geographical Society - La Société Géographique Royale du Canada

Consolidated balance sheet  
as at June 30, 2017

	2017	2016
	\$	\$
<b>Current assets</b>		
Short-term assets		
Cash	1,174,721	38,090
Investments (Note 3)	75,611	431,970
Accounts and interest receivable	1,327,827	645,402
Loan to L'Attitude (Note 4)	50,000	-
Government remittances receivable	31,626	-
Prepaid expenses	378,603	166,280
	<b>3,038,388</b>	<b>1,281,742</b>
Education fund (Note 5)	985,727	996,578
Investment in L'Attitude	1	-
Capital assets (Note 6)	41,840	44,237
	<b>4,065,956</b>	<b>2,322,557</b>
<b>Current liabilities</b>		
Short-term liabilities		
Accounts payable and accrued liabilities	1,318,511	1,102,998
Government remittances payable	16,836	10,537
Deferred circulation revenue - current portion	1,088,301	1,075,167
Deferred revenue (custom publishing)	1,123,955	431,578
	<b>3,547,603</b>	<b>2,620,280</b>
Deferred circulation revenue	350,517	330,535
	<b>3,898,120</b>	<b>2,950,815</b>
Commitments and contingencies (Note 8)		
<b>Net assets (deficiencies)</b>		
Internally restricted for investment in RCGS/NGS		
Canadian Geography Education Fund (Note 5)	985,727	952,341
Invested in capital assets	41,840	44,237
Internally restricted	100,611	61,169
Unrestricted (deficiency)	(960,342)	(1,686,005)
	<b>167,836</b>	<b>(628,258)</b>
	<b>4,065,956</b>	<b>2,322,557</b>

Approved by the Board

  
\_\_\_\_\_  
Governor

  
\_\_\_\_\_  
Governor

The accompanying notes to the consolidated financial statements an integral part of  
this consolidated financial statement.

# The Royal Canadian Geographical Society - La Société Géographique Royale du Canada

Consolidated statement of changes in net assets (deficiencies)  
year ended June 30, 2017

	Internally restricted for investment in RCGS/NGS				Total	
	Canadian Geography Education Fund	Internally restricted	Invested in capital assets	Unrestricted	2017	2016
	\$	\$	\$	\$	\$	\$
<b>Balance, beginning of year</b>	<b>996,578</b>	<b>61,169</b>	<b>44,237</b>	<b>(1,730,242)</b>	<b>(628,258)</b>	(769,351)
Excess of revenue over expenses	-	-	-	796,094	796,094	141,093
Internal restriction (Note 12)	-	39,442	-	(39,442)	-	-
Purchases of capital assets	-	-	21,896	(21,896)	-	-
Amortization of capital assets	-	-	(24,293)	24,293	-	-
Decrease in RCGS/NGS Canadian Geography Education Fund (Note 5)	(10,851)	-	-	10,851	-	-
<b>Balance, end of year</b>	<b>985,727</b>	<b>100,611</b>	<b>41,840</b>	<b>(960,342)</b>	<b>167,836</b>	(628,258)

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

# The Royal Canadian Geographical Society - La Société Géographique Royale du Canada

Consolidated statement of cash flows  
year ended June 30, 2017

	2017	2016
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses	796,094	141,093
Adjusted for		
RCGS/NGS Canadian Geography Fund investment earnings	(39,228)	(10,233)
Gain on foreign exchange	(4,564)	(33,682)
Amortization of capital assets	24,293	19,914
	<b>776,595</b>	<b>117,092</b>
Changes in non-cash operating working capital items (Note 10)	20,931	(280,435)
	<b>797,526</b>	<b>(163,343)</b>
<b>Investing activities</b>		
Purchase of capital assets	(21,896)	(12,235)
RCGS/NGS Canadian Geography Education Fund		
Payout to the Society	109,286	77,502
Distribution from the Society	(54,643)	(38,751)
Net increase (decrease) in short-term investments	306,359	(15,307)
Net increase in long-term investments	(1)	-
	<b>339,105</b>	<b>11,209</b>
Net increase (decrease) in cash	1,136,631	(152,134)
Cash, beginning of year	38,090	190,224
<b>Cash, end of year</b>	<b>1,174,721</b>	<b>38,090</b>

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

# The Royal Canadian Geographical Society - La Société Géographique Royale du Canada

Notes to the consolidated financial statements

June 30, 2017

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## 1. Activities of the corporation

The Royal Canadian Geographical Society - La Société Géographique Royale du Canada (the "Society" or "RCGS") is incorporated without share capital under Part II of the Canada 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 (along with 1694144 Ontario Inc.) the Canadian Geographic Enterprises (CGE) which operates the Canadian Geographic magazine and its related websites.

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:

### *Basis of presentation*

The Society consolidates CGE and 1694144 Ontario Inc. and presents its financial statements on a consolidated basis. Inter-entity transactions are eliminated. 1694144 Ontario Inc. has a 50% joint interest in L'Attitude, a for-profit corporation. 1694144 Ontario Inc. accounts for this investment using the cost method.

### *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 they are received or receivable if the amount to be received can be reasonable 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 contract are the most significant items where estimates are used. Actual results could differ from these estimates.

### *Capital assets*

Capital assets are recorded at cost. 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

# The Royal Canadian Geographical Society - La Société Géographique Royale du Canada

Notes to the consolidated financial statements

June 30, 2017

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## 2. Significant accounting policies (continued)

### *Impairment of long-lived assets*

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the asset no longer has long-term service potential. The amount of the impairment loss is determined as the excess of the carrying value of the assets over its residual value.

### *Financial instruments*

The Society initially measures its financial assets and liabilities at fair value. The Society subsequently measures all its financial assets and liabilities at amortized cost, except for cash and investments which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Interest earned on short-term investments and realized gains and losses on sales of short-term investments are included in investment earnings in the consolidated statement of revenue and expenses.

Transaction costs related to financial instruments measured subsequent to initial recognition 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.

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.

## 3. Investments

Investments are comprised of guaranteed investment certificates. Their cost approximates its fair value as at June 30, 2017 and 2016. The guaranteed investment certificate matures on May 25, 2018 (2016 - from November 3, 2016 to December 7, 2016), with an effective interest rate of 1.0% (2016 - from 0.9% to 1%).

## 4. Loan to L'Attitude

As at June 30, 2017, 1694144 Ontario Inc has a non-bearing interest loan receivable from l'Attitude of \$50,000 (2016 - \$Nil) with no set terms of repayment.

# The Royal Canadian Geographical Society - La Société Géographique Royale du Canada

Notes to the consolidated financial statements

June 30, 2017

## 5. Investment in RCGS/NGS Canadian Geography 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.

	2017	2016
	\$	\$
Balance, beginning of year	996,578	991,414
Income on RCGS portion of the Fund	43,792	43,915
Distribution from RCGS portion of the Fund	(54,643)	(38,751)
Balance, end of year	985,727	996,578

In addition to the above income on RCGS's portion of the Fund, the Society received a matching NGS distribution of investment earnings from the Fund of \$54,643 (2016 - \$38,751) for a total payout to the Society of \$109,286 (2016 - \$77,502).

## 6. Capital assets

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Furniture and equipment	239,850	220,337	19,513	12,936
Computer equipment and software	425,456	403,129	22,327	31,301
	665,306	623,466	41,840	44,237

## 7. Bank indebtedness

The short-term credit facility is an \$800,000 demand operating loan bearing interest at bank prime rate plus 1.0% and is secured by a general security agreement guaranteed by the Society. At June 30, 2017, the outstanding loan was \$Nil (2016 - \$Nil).

## 8. Commitments and contingencies

The Society is committed under operating leases for space and office equipment rental for a total of \$2,374,742.

Minimum lease payments for the next five years are as follows:

	\$
2018	395,595
2019	686,147
2020	431,000
2021	431,000
2022	431,000

# The Royal Canadian Geographical Society - La Société Géographique Royale du Canada

Notes to the consolidated financial statements

June 30, 2017

## 9. Capital management

The Society's objectives when managing its capital (net assets) are to safeguard the Society's ability to continue as a not-for-profit organization and as a charitable organization. The Society manages several grants, donations and funding agreements with external restrictions that specify the conditions for using these financial resources. The Society has complied with the requirements respecting these restricted contributions.

The Society monitors its capital by reviewing various financial metrics including cash flows and variances to forecast and budgets.

Capital management objectives, policies and procedures are unchanged from the preceding year.

## 10. Changes in non-cash operating working capital items

	2017	2016
	\$	\$
Accounts and interest receivable	<b>(682,425)</b>	239,213
Prepaid expenses	<b>(212,323)</b>	93,352
Accounts payable and accrued liabilities	<b>215,513</b>	(76,854)
Government remittances payable	<b>(25,327)</b>	(3,020)
Deferred revenue (custom publishing)	<b>692,377</b>	(414,652)
Deferred circulation revenue	<b>33,116</b>	(118,474)
	<b>20,931</b>	<b>(280,435)</b>

## 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 monitors its cash balances and cash flows generated from operations to meet its requirements.

### *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 NGS Education Fund (Note 5).

### *Investment risk*

Investments in financial instruments render the Society subject to investment risks. These include the risks arising from changes in interest rates and risks arising from the failure of a party to a financial instrument to discharge an obligation when it is due.

The Society has adopted investment policies to control the amount of risk to which it is exposed. The investment practices of the Society are designed to avoid undue risk of loss or impairment of assets and to provide a reasonable expectation of fair return given the nature of the investments. The maximum investment risk to the Society is represented by the fair value of the investments.

# The Royal Canadian Geographical Society - La Société Géographique Royale du Canada

Notes to the consolidated financial statements

June 30, 2017

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**11. Financial instruments (continued)**

*Concentration risk*

Concentrations of risk exist when a significant proportion of the portfolio is invested in securities with similar characteristics and/or subject to similar economic, political and other conditions that may prevail. Management believes that the concentrations which face the Society do not represent excessive risk.

**12. Internal restriction**

As at June 30, 2017, the Society internally restricted an amount of \$100,611 (2016 - \$61,169).

**13. Comparative figures**

Certain comparative figures were adjusted to conform with the current year's presentation.