
Consolidated financial statements of
The Royal Canadian Geographical
Society – La Société Géographique
Royale du Canada

June 30, 2020

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Independent Auditor's Report

To the Members of
The Royal Canadian Geographical Society –
La Société Géographique Royale du Canada

Opinion

We have audited the 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, 2020, and the consolidated statements of revenue and expenses, changes in net assets (deficiencies) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Society as at June 30, 2020, 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 ("Canadian GAAS"). 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 Society 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 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 the Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 GAAS 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 GAAS, 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 Society'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 Society'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 Society 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 Society 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
November 16, 2020

**The Royal Canadian Geographical Society –
La Société Géographique Royale du Canada**
Consolidated statement of revenue and expenses
Year ended June 30, 2020

	2020 \$	2019 \$
Revenue		
Donations	854,738	1,461,724
Lectures	5,000	—
RCGS/NGS Canadian Geography Education Fund		
Investment earnings	23,735	107,260
Unrealized (loss) gain on foreign exchange	(46,136)	6,944
Magazine		
Circulation	1,675,132	1,648,804
Advertising	416,172	426,151
Canadian Periodical Fund	848,438	748,048
Custom publishing	4,439,069	4,788,039
Fundraising events	263,623	405,089
Government assistance	209,540	—
50 Sussex Drive Inc. events revenue	279,019	292,099
Other	18,107	5,100
	8,986,437	9,889,258
Expenses		
Fundraising	447,609	417,597
Programs	95,079	254,444
Magazine		
Circulation	1,120,960	1,105,936
Advertising	129,388	188,032
Editorial	321,250	314,769
Production	931,225	1,282,879
New media/internet	79,143	142,672
Custom publishing	3,536,435	3,234,912
Administration	1,165,400	1,427,486
Events	253,174	349,737
Rent and occupancy costs	662,222	662,485
Interest	11,091	15,083
Amortization of capital assets	91,865	94,531
Bad debt expense	73,475	—
50 Sussex Drive Inc. events expenses	321,647	310,019
50 Sussex Drive Inc. building and administration expenses	229,715	303,950
	9,469,678	10,104,532
Deficiency of revenue over expenses	(483,241)	(215,274)

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

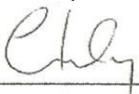
**The Royal Canadian Geographical Society –
La Société Géographique Royale du Canada**
Consolidated balance sheet

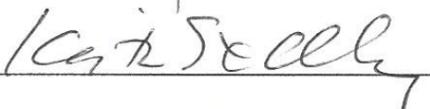
As at June 30, 2020

	Notes	2020 \$	2019 \$
Assets			
Current assets			
Short-term assets			
Cash		1,205,108	412,078
Accounts and interest receivable		1,944,087	1,809,252
Inventory	3	118,545	112,710
Government remittances receivable		37,769	198,887
Prepaid expenses		312,512	403,034
Loan to Lattitude	4	—	65,000
		3,618,021	3,000,961
Education fund	5	1,093,656	1,116,057
Investment in Lattitude		1	1
Capital assets	6	1,002,216	997,805
		5,713,894	5,114,824
Liabilities			
Current liabilities			
Short-term liabilities			
Bank indebtedness	7	—	415,844
Accounts payable and accrued liabilities		1,586,872	1,569,946
Government remittances payable		98,318	45,172
Deferred circulation revenue - current portion		1,545,881	1,002,785
Deferred revenue (custom publishing)		2,289,299	1,342,735
Obligation under capital lease - current portion	9	9,887	11,137
		5,530,257	4,387,619
Deferred circulation revenue		310,145	400,585
Canada Emergency Business Account Loan	8	40,000	—
Obligation under capital lease	9	—	9,887
		5,880,402	4,798,091
Commitments and contingencies	10		
Net assets (deficiencies)			
Internally restricted for investment in RCGS/NGS			
Canadian Geography Education Fund	5	1,093,656	1,116,057
Internally restricted	14	125,122	123,629
Invested in capital assets		992,329	976,781
Unrestricted deficiency		(2,377,615)	(1,899,734)
		(166,508)	316,733
		5,713,894	5,114,824

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

Approved by the Board


_____, Governor


_____, Governor

**The Royal Canadian Geographical Society –
La Société Géographique Royale du Canada**
Consolidated statement of changes in net assets (deficiencies)

Year ended June 30, 2020

	Notes	Internally restricted for investment in RCGS/NGS Canadian Geography Education Fund \$	Internally restricted \$	Invested in capital assets \$	Unrestricted \$	Total \$
Balance, June 30, 2018		1,151,216	114,406	528,663	(1,262,278)	532,007
Deficiency of revenue over expenses		—	—	105,192	(320,466)	(215,274)
Internal restriction	14	—	9,223	—	(9,223)	—
Purchase of capital assets		—	—	330,867	(330,867)	—
Capital assets financed through capital lease	6	—	—	33,083	(33,083)	—
Issuance of obligation under capital lease	6	—	—	(33,083)	33,083	—
Repayment of capital lease		—	—	12,059	(12,059)	—
Decrease in RCGS/NGS Canadian Geography Education Fund	5	(35,159)	—	—	35,159	—
Balance, June 30, 2019		1,116,057	123,629	976,781	(1,899,734)	316,733
Deficiency of revenue over expenses		—	—	(22,865)	(460,376)	(483,241)
Internal restriction	14	—	1,493	—	(1,493)	—
Purchase of capital assets		—	—	27,276	(27,276)	—
Repayment of capital lease		—	—	11,137	(11,137)	—
Decrease in RCGS/NGS Canadian Geography Education Fund	5	(22,401)	—	—	22,401	—
Balance, June 30, 2020		1,093,656	125,122	992,329	(2,377,615)	(166,508)

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

**The Royal Canadian Geographical Society –
La Société Géographique Royale du Canada**
Consolidated statement of cash flows
Year ended June 30, 2020

	Notes	2020 \$	2019 \$
Operating activities			
Deficiency of revenue over expenses		(483,241)	(215,274)
Items not affecting cash			
RCGS/NGS Canadian Geography Fund			
investment earnings	5	(75,477)	(39,607)
Unrealized loss (gain) on foreign exchange	5	46,136	(6,944)
Amortization of capital assets		91,865	94,531
Contributed works of art and historical treasures	6	(69,000)	(199,723)
Write-off of loan to Lattitude	3	65,000	—
		(424,717)	(367,017)
Changes in non-cash operating working capital items	12	1,580,262	(182,156)
		1,155,545	(549,173)
Investing activities			
Purchase of capital assets		(27,276)	(330,867)
RCGS/NGS Canadian Geography Education Fund			
Payout to the Society	5	103,484	163,420
Distribution from the Society	5	(51,742)	(81,710)
Net decrease in short-term investments		—	114,406
		24,466	(134,751)
Financing activities			
(Decrease) increase in bank indebtedness	7	(415,844)	415,844
Repayments of obligation under capital lease		(11,137)	(12,059)
Proceeds from Canada Emergency			
Business Account Loan	8	40,000	—
		(386,981)	403,785
Increase (decrease) in cash		793,030	(280,139)
Cash, beginning of year		412,078	692,217
Cash, end of year		1,205,108	412,078
Non-cash transaction			
Purchase of property and equipment financed			
through capital lease obligation		—	(33,083)

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

1. Activities of the organization

The Royal Canadian Geographical Society – La Société Géographique Royale du Canada (the “Society” or “RCGS”) was incorporated without share capital under Part II of the Canada Corporations Act. In 2014, the Society received a Certification of Continuance under the Canada Not-for-Profit 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 Canadian Geographic Enterprises (CGE) which operates the Canadian Geographic magazine and its related websites. The Society also controls 50 Sussex Drive Inc., a fully owned subsidiary.

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 50 Sussex Drive Inc. and presents its financial statements on a consolidated basis. Inter-entity transactions are eliminated. 50 Sussex Drive Inc. has a 50% joint interest in Lattitude, a for-profit corporation. 50 Sussex Drive Inc. accounts for this investment using the cost method.

Adoption of Section 4433, Tangible capital assets held by not-for-profit organization

Effective July 1, 2019, the Society adopted Handbook Section 4433, Tangible capital assets held by not-for-profit organizations (“Section 4433”) replacing Section 4431 on the same topic. Section 4433 provides additional guidance related to componentization of tangible capital assets consisting of significant separable component parts, the recognition of partial impairments when the conditions indicate a tangible capital asset is impaired and related impairment disclosures. In accordance with the transition provisions, the Society has applied Section 4433 prospectively with no significant impact on the disclosures or amounts recorded in the financial statements of the Society.

Inventory

Finished goods consist of Atlas and merchandise and are valued at lower of cost and net realizable value, determined on a first in, first out basis. Net realizable value is the estimated selling price less the estimated cost of completion and the estimated costs necessary to make the sale. Any write-down of inventory to its net realizable value is recognized as an expense in the period. When the net realizable value subsequently increases, the previously recognized impairment loss is reversed and recognized as a reduction in the amount of inventories expensed in the period the reversal occurs.

2. Significant accounting policies (continued)

Capital assets

Capital assets and assets under capital leases are recorded at cost. Contributed capital assets are recorded at fair value. When fair value cannot be determined, contributed capital assets are recorded at nominal value. 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
Equipment under capital lease	Over the term of the lease
Leasehold improvements	Over the term of the lease

Works of art and historical treasures are not amortized due to their infinite lives.

Write-downs of capital assets

When conditions indicate that a capital asset is impaired, the net carrying amount of the capital asset shall be written down to the asset's fair value or replacement cost. The write-downs of capital assets shall be accounted for as expenses in the statement of revenue and expenses. A write-down shall not be reversed.

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.

Transaction costs 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.

Government assistance

Government assistance is recorded in the consolidated financial statements when there is reasonable assurance that the Society has complied with, and will continue to comply with, all conditions necessary to obtain the assistance.

Government assistance, including the Temporary Wage Subsidy for Employers ("TWS") and Canada Emergency Wage Subsidy ("CEWS") for eligible expenditures, is reflected as revenue on the consolidated statement of revenue and expenses.

2. Significant accounting policies (continued)

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 as 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, the assumptions related to the calculation of the TWS and the CEWS and the percentage of completion of custom publishing contracts are the most significant items where estimates are used. Actual results could differ from these estimates.

3. Inventory

Included in inventory as at June 30, 2020, is \$118,545 (\$112,710 in 2019) of finished goods. Included in custom publishing expenses are \$34,789 (\$421,410 in 2019) of costs which were expensed through inventory.

4. Loan to Lattitude

As at June 30, 2020, 50 Sussex Drive Inc. has a non-interest bearing loan receivable from Lattitude of nil (\$65,000 in 2019) as the loan was forgiven during the year.

5. 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.

	2020	2019
	\$	\$
Balance, beginning of year	1,116,057	1,151,216
Income on RCGS portion of the Fund	29,341	46,551
Distribution from RCGS portion of the fund	(51,742)	(81,710)
Balance, end of year	1,093,656	1,116,057

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 \$51,742 (\$81,710 in 2019) for a total payout to the Society of \$103,484 (\$163,420 in 2019).

6. Capital assets

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
	\$	\$	\$	\$
Furniture and equipment	406,445	167,066	239,379	284,629
Computer equipment and software	484,190	432,208	51,982	33,056
Equipment under capital lease	33,083	13,785	19,298	25,363
Leasehold improvements	362,334	72,950	289,384	321,584
Works of art and historical treasures	402,173	—	402,173	333,173
	1,688,225	686,009	1,002,216	997,805

During the year, the Society recognized \$69,000 (\$199,723 in 2019) of contributed works of art and historical treasures. The Society also acquired capital assets of nil (\$33,083 in 2019) financed through capital lease.

7. Bank indebtedness

The Society has an operating line of credit available by way of a revolving demand facility available of \$800,000 (\$800,000 in 2019) bearing interest at 3.45% (4.95% in 2019) and secured by a general security agreement guaranteed by the Society. As of June 30, 2020, nil of the line had been utilized (\$285,000 in 2019) and the Society also had a bank overdraft of nil (\$130,844 in 2019).

8. Canada Emergency Business Account (CEBA) loan

During the year, 50 Sussex Drive Inc. obtained a loan of \$40,000 (nil in 2019) guaranteed by the Government of Canada under the CEBA program. The loan is interest free until December 31, 2022. Repaying the loan on or before the December 31, 2022 deadline will result in loan forgiveness of 25% (up to \$10,000). 50 Sussex Drive Inc. intends to repay the loan on the deadline to benefit from the loan forgiveness but is however unable to determine if it will be able to do so at that time. After March 31, 2021, any outstanding balance on the revolving \$40,000 line of credit will be converted into a non-revolving term loan maturing on December 31, 2025, at which time the balance must be paid in full. Commencing on January 1, 2023, interest will accrue on the balance of the term loan at the rate of 5% per annum, payable monthly on the last day of each month.

9. Obligation under capital lease

	2020 \$	2019 \$
Equipment, 6.92% interest per annum, maturing April 30, 2021	9,887	21,024
Less: current portion	9,887	11,137
	—	9,887

The Corporation is committed to a capital lease for equipment. The capital lease bears an interest rate of 6.92%, per annum, is repayable in monthly payments of principal and interest of \$1,014 and matures on April 30, 2021. The lease is secured by the equipment under the capital lease, which has a net book value of \$19,298 (\$25,364 in 2019) as at June 30, 2020.

Minimum lease payments required next year under the capital lease is as follows:

	\$
2021	10,144
Interest included in minimum lease payments	257
	9,887

10. Commitments and contingencies

The Society is committed under operating leases for office space and equipment rental. As part of the lease agreement for its office space, the Society has committed to providing in-kind services to the landlord.

Minimum net lease payments for the next three years are as follows:

	Lease payments \$	In-kind services \$	Net lease payments \$
2021	379,881	(200,000)	179,881
2022	368,418	(200,000)	168,418
2023	276,313	(150,000)	126,313
	1,024,612	(550,000)	474,612

10. Commitments and contingencies (continued)

Amounts included for 2021 to 2022 also include commitments related to office equipment rental.

11. 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.

12. Changes in non-cash operating working capital items

	2020 \$	2019 \$
Accounts and interest receivable	(134,835)	(783,371)
Inventory	(5,835)	(112,710)
Government remittances receivable	161,118	(80,214)
Prepaid expenses	90,522	13,210
Accounts payable and accrued liabilities	16,926	(180,891)
Government remittances payable	53,146	45,172
Deferred revenue (custom publishing)	946,564	787,277
Deferred circulation revenue	452,656	129,371
	1,580,262	(182,156)

13. 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 is exposed to this risk mainly in respect of accounts payable and accrued liabilities. The Society monitors its cash balances and cash flows generated from operations to meet its requirements.

13. Financial instruments (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk.

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 Education Fund (Note 5).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Society is exposed to interest rate risk through its investment in the Education Fund (Note 5). The Society also has a line of credit by way of revolving demand facility bearing a variable interest rate. Consequently, the Society's interest rate risk exposure is a function of the change of the prime rate. However, the Society has nil drawn as at June 30, 2020 and therefore the Society's exposure is limited.

The Society's obligation under capital lease bears a fixed interest rate and, as a result, the risk exposure is minimal.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Society is exposed to this risk through the investment in the Education Fund (Note 5), as the underlying investments within the Fund are traded on active markets.

14. Internal restriction

As at June 30, 2020, the Society internally restricted an amount of \$125,122 (\$123,629 in 2019). The Society has chosen to internally restrict these funds in order to honour the donors' requests that the funds be directed to named funds.

15. COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic, which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of nonessential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The Society anticipates that these events will impact the events operations. The duration and impact of COVID-19 are unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Society in future periods.