

EDITORS' ASSOCIATION OF CANADA / ASSOCIATION CANADIENNE DES RÉVISEURS

Consolidated Financial Statements

December 31, 2020

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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, 2020, 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 Editors as at December 31, 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. 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 Editors 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 Editors'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 Editors or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Editors'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 the entity'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 entity'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 entity 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 31, 2021

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, 2020

| | 2020 | 2019 |
|---|-------------------|-------------------|
| ASSETS | | |
| CURRENT | | |
| Cash (Note 3) | \$ 232,184 | \$ 113,713 |
| Guaranteed investment certificates (Note 4) | 36,356 | 35,891 |
| Accounts receivable | 57,745 | 15,065 |
| Prepaid expenses and other assets | 18,335 | 9,019 |
| | <u>\$ 344,620</u> | <u>\$ 173,688</u> |
| LIABILITIES | | |
| CURRENT | | |
| Government remittances payable | \$ 10,686 | \$ 7,230 |
| Accounts payable and accrued liabilities | 53,380 | 32,277 |
| Deferred revenues (Note 5) | 18,370 | 12,355 |
| Awards and scholarship funds (Note 6) | 6,408 | 6,408 |
| | <u>88,844</u> | <u>58,270</u> |
| CANADA EMERGENCY BUSINESS ACCOUNT LOAN (Note 7) | <u>40,000</u> | <u>-</u> |
| | <u>128,844</u> | <u>58,270</u> |
| NET ASSETS | | |
| UNRESTRICTED | 52,327 | (42,893) |
| INTERNALLY RESTRICTED FOR THE BRANCHES | 126,056 | 126,560 |
| INTERNALLY RESTRICTED FOR THE TWIGS | 37,393 | 31,751 |
| | <u>215,776</u> | <u>115,418</u> |
| | <u>\$ 344,620</u> | <u>\$ 173,688</u> |

COMMITMENTS (Note 9)

SIGNIFICANT EVENT (Note 10)

APPROVED ON BEHALF OF THE BOARD

_____ Director

_____ 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, 2020

| | 2020 | 2019 |
|---|-------------------|-----------------|
| REVENUES | | |
| Membership fees | \$ 273,482 | \$ 276,314 |
| Webinars | 81,209 | 73,858 |
| Digital product sales | 38,241 | 41,754 |
| Publications | 25,795 | 25,018 |
| Branch and Twig revenues | 21,360 | 85,412 |
| Certification | 6,475 | 16,325 |
| Interest and other | 6,026 | 4,112 |
| Donations | 5,119 | 1,787 |
| Awards <i>(Note 6)</i> | 2,200 | 2,525 |
| Conference fees | - | 100,176 |
| | <u>459,907</u> | <u>627,281</u> |
| EXPENSES | | |
| Staffing | 183,071 | 197,757 |
| Professional fees | 106,052 | 88,331 |
| Administration | 61,251 | 73,925 |
| Branch and Twig expenses | 43,556 | 106,240 |
| Rent <i>(Note 9)</i> | 24,143 | 20,572 |
| Awards <i>(Note 6)</i> | 4,400 | 4,400 |
| Travel and other event | 4,084 | 29,127 |
| Conference | 539 | 89,267 |
| Printing and design | 405 | 9,830 |
| | <u>427,501</u> | <u>619,449</u> |
| EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS | 32,406 | 7,832 |
| OTHER INCOME | | |
| Government assistance <i>(Note 8)</i> | <u>67,952</u> | - |
| EXCESS OF REVENUES OVER EXPENSES | \$ 100,358 | \$ 7,832 |

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, 2020

| | Unrestricted | Internally Restricted for the Branches | Internally Restricted for the Twigs | 2020 | 2019 |
|---|------------------|--|---|-------------------|-------------------|
| NET ASSETS - BEGINNING OF YEAR | \$ (42,893) | \$ 126,560 | \$ 31,751 | \$ 115,418 | \$ 107,586 |
| Excess of revenues over expenses | 92,220 | 2,496 | 5,642 | 100,358 | 7,832 |
| Interfund transfer | 3,000 | (3,000) | - | - | - |
| NET ASSETS - END OF YEAR | \$ 52,327 | \$ 126,056 | \$ 37,393 | \$ 215,776 | \$ 115,418 |

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, 2020**

| | 2020 | 2019 |
|--|-------------------|------------|
| OPERATING ACTIVITIES | | |
| Excess of revenues over expenses | \$ 100,358 | \$ 7,832 |
| Changes in non-cash working capital: | | |
| Accounts receivable | (42,680) | (3,574) |
| Prepaid expenses and other assets | (9,316) | (1,990) |
| Government remittances payable | 3,456 | (2,447) |
| Accounts payable and accrued liabilities | 21,103 | 7,175 |
| Deferred revenues | 6,015 | (10,416) |
| Awards and scholarship funds | - | 2,020 |
| | (21,422) | (9,232) |
| Cash flow from (used by) operating activities | 78,936 | (1,400) |
| INVESTING ACTIVITY | | |
| Purchase of guaranteed investment certificates | (465) | (3,010) |
| FINANCING ACTIVITY | | |
| Proceeds from Canada Emergency Business Account loan | 40,000 | - |
| INCREASE (DECREASE) IN CASH | 118,471 | (4,410) |
| CASH - BEGINNING OF YEAR | 113,713 | 118,123 |
| CASH - END OF YEAR | \$ 232,184 | \$ 113,713 |

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 1,200 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 paragraph 149(1)(f) of the Income Tax Act (Canada).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Editors, five regional branches (British Columbia, Ottawa-Gatineau, Quebec, Saskatchewan and Toronto) and nine regional twigs (Barrie, Calgary, Edmonton, Hamilton-Halton, Kingston, Kitchener-Waterloo-Guelph, Newfoundland and Labrador, Nova Scotia and Manitoba). 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. 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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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, Newfoundland and Labrador, Nova Scotia and Manitoba), 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.

Contributed services

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

Measurement uncertainty

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 at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. These estimates are reviewed periodically and adjustments are made to revenues and expenses, as appropriate, in the year they become known. Such estimates include eligibility of COVID-19 subsidies (see Note 10). Actual results could differ from these estimates.

3. CASH

| | <u>2020</u> | <u>2019</u> |
|-----------------|-------------------|-------------|
| National office | \$ 131,721 | \$ 14,966 |
| Branches | 100,463 | 98,747 |
| | \$ 232,184 | \$ 113,713 |

4. FINANCIAL INSTRUMENTS

Guaranteed investment certificates at December 31, 2020 are \$36,356 (2019 - \$35,891), bear interest at rates ranging from 0.1% to 2.2% (2019 - 1% to 2.2%) and have maturity dates ranging from January 22, 2021 to December 14, 2023 (2019 - February 25, 2020 to December 14, 2023).

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.

Notes to Consolidated Financial Statements

Year Ended December 31, 2020

5. DEFERRED REVENUES

Deferred revenues at December 31 consist of the following:

| | 2020 | 2019 |
|--|------------------|------------------|
| Membership revenues for the subsequent fiscal year | \$ 12,150 | \$ 10,835 |
| Online directory of editors | 1,200 | 1,520 |
| Conference sponsorship | 1,250 | - |
| Branch revenues (Pro-D workshop) | 3,770 | - |
| | \$ 18,370 | \$ 12,355 |

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

| | | |
|---|------------------|------------------|
| Balance, beginning of year | \$ 12,355 | \$ 22,771 |
| Add: amounts received during the year | 398,947 | 481,686 |
| Less: amounts recognized as revenue in the year | (392,932) | (492,102) |
| Balance, end of year | \$ 18,370 | \$ 12,355 |

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 (2019 - \$2,000) of the award fund balance would be awarded annually and two \$500 prizes would be awarded to the other two finalists. In 2019, the fund was fully depleted.

For the current year, a total annual prize of \$3,000 (2019 - \$3,000) was awarded; \$1,700 was paid from operations and the remaining \$1,300 was from a contribution received during the year.

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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Notes to Consolidated Financial Statements

Year Ended December 31, 2020

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 2020, Editors paid \$400 as an award.

The continuity of this award fund is as follows:

| | 2020 | 2019 |
|---|-----------------|-------------|
| Balance, beginning of year | \$ 6,408 | \$ 4,228 |
| Add: Contributions received in the year | 400 | 2,580 |
| Less: Annual award | (400) | (400) |
| | 6,408 | 6,408 |
| Balance, end of year | \$ 6,408 | \$ 6,408 |

7. CANADA EMERGENCY BUSINESS ACCOUNT LOAN

On April 29, 2020, Editors received the Canada Emergency Business Account ("CEBA") which is an interest free loan of \$40,000 to assist with immediate operating cash flow needs. The loan is interest-free for the initial term up to December 31, 2022. As part of the program, \$10,000 of the loan will be forgiven if \$30,000 is repaid in full on or before December 31, 2022. From the period commencing December 31, 2022 to the extended term date of December 31, 2025, the loan bears an annual interest rate of 5%.

Editors intends to apply for the available \$20,000 loan increase in fiscal 2021, of which an additional \$10,000 will be forgiven, if the remaining \$10,000 is repaid on or before December 31, 2022.

8. GOVERNMENT ASSISTANCE

As part of the response to COVID-19 (see Note 10), 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 March 18 to December 31, 2020, Editors applied for \$66,243, of which \$43,359 is included in accounts receivable at December 31, 2020. Editors intends to apply for the CEWS for all subsequent periods for which it is eligible.

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 September 27 to December 31, 2020, Editors applied for \$1,709, which is included in accounts receivable as at December 31, 2020. Editors intends to apply for the CERS for all subsequent periods for which it is eligible.

Notes to Consolidated Financial Statements

Year Ended December 31, 2020

9. 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.

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

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

| | | |
|------|----|---------------|
| 2021 | \$ | 24,046 |
| 2022 | | 24,147 |
| 2023 | | 24,613 |
| 2024 | | 2,565 |
| | | <u>75,371</u> |
| | \$ | <u>75,371</u> |

10. SIGNIFICANT EVENT

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.