

Historica Canada

Financial statements
March 31, 2022



Independent auditor's report

To the Members of
Historica Canada

Opinion

We have audited the financial statements of **Historica Canada** ["Historica"], which comprise the balance sheet as at March 31, 2022, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Historica as at March 31, 2022, and its results of 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 financial statements* section of our report. We are independent of Historica in accordance with the ethical requirements that are relevant to our audit of the 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 financial statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Historica'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 Historica or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Historica's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Historica'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 Historica'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 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 Historica to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
June 15, 2022



Historica Canada

Balance sheet

As at March 31

	2022	2021
	\$	\$
Assets		
Current		
Cash and cash equivalents	634,959	5,033,275
Accounts receivable <i>[note 10]</i>	442,097	481,908
Commodity taxes recoverable	109,529	75,703
Prepaid expenses	78,131	64,239
Total current assets	1,264,716	5,655,125
Investments, fair value <i>[note 3]</i>	9,824,548	—
Capital assets, net <i>[note 4]</i>	34,293	21,051
Assets held for sale, net <i>[note 5]</i>	—	2,354,129
	11,123,557	8,030,305
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	847,067	1,055,696
Deferred contributions <i>[note 6]</i>	1,384,385	1,882,429
Total current liabilities	2,231,452	2,938,125
Deferred capital contributions <i>[note 7]</i>	7,084	655,932
Total liabilities	2,238,536	3,594,057
Commitments <i>[note 12]</i>		
Net assets		
Endowment <i>[note 8]</i>	683,516	640,596
Internally restricted <i>[note 9]</i>	27,209	1,719,248
Unrestricted	8,174,296	2,076,404
Total net assets	8,885,021	4,436,248
	11,123,557	8,030,305

See accompanying notes

On behalf of the Board:



Director



Director

Historica Canada

Statement of operations

Year ended March 31

	2022	2021
	\$	\$
Revenue		
Restricted contributions <i>[note 6]</i>		
Government	3,186,853	4,118,205
Corporate and other	377,530	783,090
Unrestricted contributions <i>[note 10]</i>	1,929,814	1,965,387
Government subsidies <i>[note 13]</i>	285,322	656,372
Investment income (loss), net	(167,418)	28,617
Other	93,002	52,338
	5,705,103	7,604,009
Expenses		
Programming		
Salaries and benefits	1,413,108	2,712,110
Materials, publications and promotion	1,588,859	1,316,063
Workshops and events	3,815	100,188
Consultants and subject editors	(263)	101,341
Other	85,433	276,756
	3,090,952	4,506,458
Administration	1,705,078	1,886,088
Fundraising <i>[note 11]</i>	847,914	817,130
	5,643,944	7,209,676
Excess of revenue over expenses before the following	61,159	394,333
Other income (expenses)		
Amortization of deferred capital contributions <i>[note 7]</i>	616,987	82,253
Amortization of capital assets	(29,831)	(127,208)
Impairment of capital assets <i>[note 4]</i>	—	(157,662)
Gain on sale of assets held for sale <i>[note 5]</i>	3,800,458	5,187
	4,387,614	(197,430)
Excess of revenue over expenses for the year	4,448,773	196,903

See accompanying notes

Historica Canada

Statement of changes in net assets

Year ended March 31

	2022			
	Endowment	Internally restricted	Unrestricted	Total
	\$	\$	\$	\$
Net assets, beginning of year	640,596	1,719,248	2,076,404	4,436,248
Excess of revenue over expenses for the year	—	—	4,448,773	4,448,773
Interfund transfers [notes 8 and 9]	42,920	(1,692,039)	1,649,119	—
Net assets, end of year	683,516	27,209	8,174,296	8,885,021
	2021			
	Endowment	Internally restricted	Unrestricted	Total
	\$	\$	\$	\$
Net assets, beginning of year	636,143	1,878,033	1,725,169	4,239,345
Excess of revenue over expenses for the year	—	—	196,903	196,903
Interfund transfers [notes 8 and 9]	4,453	(158,785)	154,332	—
Net assets, end of year	640,596	1,719,248	2,076,404	4,436,248

See accompanying notes

Historica Canada

Statement of cash flows

Year ended March 31

	2022	2021
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	4,448,773	196,903
Add (deduct) items not involving cash		
Unrealized loss on investments	1,029,948	—
Amortization of capital assets	29,831	127,208
Amortization of deferred capital contributions	(616,987)	(82,253)
Repayment of unused funds to funder	(31,861)	—
Impairment of capital assets	—	157,662
Gain on sale of assets held for sale, net	(3,800,458)	(5,187)
	<u>1,059,246</u>	394,333
Changes in non-cash working capital balances related to operations		
Accounts receivable	39,811	7,931
Commodity taxes recoverable	(33,826)	81,573
Prepaid expenses	(13,892)	241,439
Inventories	—	23,013
Accounts payable and accrued liabilities	(208,629)	(175,037)
Deferred contributions	(498,044)	229,443
Cash provided by operating activities	<u>344,666</u>	802,695
Investing activities		
Purchase of investments, net	(10,854,496)	—
Purchase of capital assets, net	(24,182)	(58,145)
Proceeds from sale of assets held for sale	6,135,696	19,500
Cash used in investing activities	<u>(4,742,982)</u>	(38,645)
Net increase (decrease) in cash during the year	(4,398,316)	764,050
Cash and cash equivalents, beginning of year	<u>5,033,275</u>	4,269,225
Cash and cash equivalents, end of year	<u>634,959</u>	5,033,275

See accompanying notes

Historica Canada

Notes to financial statements

March 31, 2022

1. Description of the organization

Historica Canada ["Historica"] is a national, registered charitable organization formed in 2009 through the amalgamation of the operations of two existing charitable organizations: The Historica Foundation of Canada [formed in 1999] and The Dominion Institute [formed in 1997]. Historica is incorporated without share capital under the laws of Canada and continues under the *Canada Not-for-profit Corporations Act*. Historica is a charitable organization registered under the *Income Tax Act* (Canada) and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes.

Historica's mandate is to enhance the awareness of Canada's history and citizenship and its programs include: The Heritage Minutes, The Canadian Encyclopedia, The Memory Project and The Citizenship Challenge. In addition, Historica offers commemorative programs tied to specific periods of history, such as the War of 1812 or the First World War. As well, Historica regularly solicits feedback on a variety of issues of national interest. Historica operates a national office in Toronto.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

Revenue recognition

Historica follows the deferral method of accounting for contributions, which include grants, bequests and donations. Grants and bequests are recorded in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received, since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions, except endowment contributions, are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Externally restricted endowment contributions are recognized as direct increases in net assets when recorded in the accounts.

Registration fees are recognized at the date students participate in the programs. Rental revenue is recognized when rental services are provided and is included in other revenue. Sales revenue is recognized at the date of sale.

Investment income, which includes interest, dividends, and realized and unrealized gains and losses, net of investment management fees, is recorded in the statement of operations as earned.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments with original maturities of three months or less. Cash and investments meeting the definition of cash and cash equivalents that are held for investing rather than liquidity purposes are classified as investments.

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Financial instruments

Investments reported at fair value consist of equity instruments that are quoted in an active market, as well as investments in pooled funds and any investments in fixed income securities and private equities that Historica designates upon purchase to be measured at fair value. Transaction costs are recognized in the statement of operations in the period during which they are incurred.

All transactions are recorded on a trade date basis.

Other financial instruments, including accounts receivable and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment. Historica is not exposed to any significant credit risk, liquidity risk or interest rate risk.

Capital assets

Purchased capital assets are recorded at cost less accumulated amortization. Contributions of capital assets are capitalized at fair value at the date of contribution. Capital assets are amortized using the straight-line method from the date the asset is put into use over the periods as set out below:

Equipment	3 years
Leasehold improvements	Term of lease

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not contribute to Historica's ability to provide goods and services. Any impairment results in a write-down of the asset and an expense in the statement of operations. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

Assets held for sale

A long-lived asset is classified as held for sale at the point in time when it is available for immediate sale. Long-lived assets held for sale are carried at the lower of their carrying amounts and estimated fair value less costs to sell. Assets classified as held for sale are not amortized. Long-lived assets classified as held for sale in 2021 were sold or otherwise disposed of in the current period.

Contributed materials and services

Contributed materials and services are not recognized in the financial statements.

Allocation of expenses

Historica allocates direct costs to programming expenses. General support costs are not allocated.

Historica Canada

Notes to financial statements

March 31, 2022

3. Investments

Investments consist of the following:

	2022	2021
	\$	\$
Cash and cash equivalents	147,368	—
Fixed income	3,104,557	—
Equities		
Canadian	3,045,610	—
US	1,935,436	—
International	1,591,577	—
	<u>9,824,548</u>	<u>—</u>

Investments in pooled funds have been allocated among the asset classes based on the underlying investments in the pooled funds.

The investment loss of \$167,418 [2021 – investment income of \$28,617] is net of investment management fees of \$23,646 [2021 – nil].

4. Capital assets

Capital assets consist of the following:

	2022		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Equipment	86,325	63,050	23,275
Leasehold Improvements	11,018	—	11,018
	<u>97,343</u>	<u>63,050</u>	<u>34,293</u>

	2021		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Equipment	118,350	97,299	21,051

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Notes to financial statements

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5. Assets held for sale

Assets held for sale consist of the following:

	2022	2021
	\$	\$
Land	—	1,190,889
Buildings	—	1,003,401
Furniture and fixtures	—	17,450
Equipment	—	70,861
Vehicles	—	71,528
	<u>—</u>	<u>2,354,129</u>

Effective January 1, 2021, the Board of Directors approved the closing of the Encounters with Canada ["EWC"] program, and the sale and disposal of all assets related to that program. As at December 31, 2020, amortization of these assets ceased and an impairment charge of \$157,662 was incurred. Assets with a net book value of \$2,368,442 were reclassified as held for sale at that time.

During 2021, assets held for sale of with the net book value of \$14,313 were sold resulting in a gain on sale of \$5,187.

During 2022, Historica sold the remaining assets of the EWC program for proceeds of \$6,135,696, resulting in a gain, net of transaction fees, of \$3,800,458. Further, Historica accelerated amortization of deferred capital contributions of \$616,987 related to the assets sold [note 7].

6. Deferred contributions

Deferred contributions represent unspent externally restricted donations and government grants for specific programs that will be carried out in future periods. The changes in the deferred contributions balance are as follows:

	2022	2021
	\$	\$
Balance, beginning of year	1,882,429	1,652,986
Add grants, bequests and donations received	3,066,339	5,130,738
Less revenue recognized related to expenses for restricted purposes	(3,564,383)	(4,901,295)
Balance, end of year	<u>1,384,385</u>	<u>1,882,429</u>

7. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

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The changes in the deferred capital contributions balance are as follows:

	2022	2021
	\$	\$
Balance, beginning of year	655,932	738,185
Less amortization of deferred capital contributions [note 5]	(616,987)	(82,253)
Repayment of unused funds to funder	(31,861)	—
Balance, end of year	7,084	655,932

8. Endowment net assets

Endowment net assets represent amounts where the Board of Directors has required that the principal be maintained on a permanent basis. During the year ended March 31, 2022, the Board of Directors approved a transfer of \$42,920 [2021 – \$4,453] from unrestricted net assets to endowment net assets to maintain the purchasing power of these assets.

9. Internally restricted net assets

During the year ended March 31, 2022, the Board of Directors approved a transfer of \$1,692,039 [2021 – \$158,785] from internally restricted net assets to unrestricted net assets in order for the balance of internally restricted net assets to be equal to the amount of capital assets internally funded, net of amortization, since no restricted contributions were received to fund these purchases.

10. The Heritage Project/Reflets du Patrimoine

Effective August 31, 2009, Historica's Board of Directors approved the transfer of Historica's externally restricted endowment net assets to a newly created charitable foundation named The Heritage Project/Reflets du Patrimoine ["THP"]. THP was incorporated on April 2, 2009 as a corporation without share capital under the laws of Canada and has continued under the *Canada Not-for-profit Corporations Act*. Its mandate is to promote responsible citizenship through a better and more widely shared knowledge, awareness and understanding of Canada's history and heritage. As at that date, \$5,048,881 was transferred from Historica's investments to THP.

As at March 31, 2022, the fair value of THP's investments was \$13,225,561 [2021 – \$13,347,256]. These investments are held for internally endowed funds.

During the year ended March 31, 2022, Historica recorded \$516,000 [2021 – \$520,000] as revenue in unrestricted contributions in the statement of operations related to income distributions from THP. As at March 31, 2022, accounts receivable includes \$177,396 [2021 – \$165,000] due from THP.

Transactions with THP are measured at the exchange amount, which is the amount of consideration agreed to by the parties. Amounts due from THP are non-interest bearing and due on demand.

Historica Canada

Notes to financial statements

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11. Fundraising

Fundraising costs for the year ended March 31, 2022 include \$674,316 [2021 – \$743,302] paid as remuneration to a third-party fundraiser and other fundraising costs of \$173,598 [2021 – \$73,828] paid to employees whose principal duties involve fundraising. The balance of gross contributions received that were not used to fund programming are represented by unrestricted net assets.

12. Commitments

As at March 31, 2022, Historica is obligated under operating leases to make the following future minimum annual payments:

	\$
2023	203,039
2024	109,178
2025	111,360
2026	113,583
2027	115,847

13. Financial instruments and risk management

Historica is exposed to various financial and market risks through investments and transactions in financial instruments. Most of these risks are related to investments. To manage the risks related to investments, Historica has determined an investment strategy and asset mix that reflects a total investment return consistent with capital preservation, risk tolerance and liquidity needs of Historica. An investment policy was established to monitor and limit risks across asset classes, as well as the total portfolio. The Investment Committee of the Board monitors adherence to this investment policy. If the measured risk of the portfolio exceeds the limits set by the policy, actions will be taken to reduce the portfolio's risk.

Currency risk

Historica is exposed to currency risk with respect to its investments denominated in foreign currencies, including the underlying investments of its pooled funds denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar. Historica mitigates its foreign currency risk exposure by limiting the extent of foreign currency exposure to United States and other international foreign securities.

Credit risk

Historica is exposed to credit risk in connection with its fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. Historica manages credit risk by defining allowable credit rating requirements and restricting the types of financial instruments and issuer exposure limits that are permitted in the portfolio.

Notes to financial statements

March 31, 2022

Interest rate risk

Historica is exposed to interest rate risk with respect to its investments in fixed income securities and pooled funds that hold fixed income securities, because the fair value will fluctuate due to changes in market interest rates. Duration is the most common measure of the sensitivity of the price of a fixed income instrument to a change in interest rates. Historica's portfolio managers limit the duration of the fixed income holdings in their portfolios in order to accommodate possible changes in interest rate.

Other price risk

Historica is exposed to other market risks, including, but not limited to, changes in market prices in connection with its investments in securities, underlying investments within pooled funds, private equity and alternative investments. Historica manages this risk by monitoring against its benchmark asset mix, which reflects Historica's risk appetite.

14. COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus disease ["COVID-19"] as a pandemic, which resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which included the implementation of travel bans, self-imposed quarantine periods and social distancing, caused material disruption to businesses globally, resulting in an economic slowdown.

On March 15, 2020, in response to the COVID-19 outbreak, management suspended the EWC program, cancelled all remaining sessions through to May 2, 2020 and refunded all participant registration fees. Subsequently, management cancelled all sessions through to March 31, 2021 and refunded all participant registration fees for remaining sessions. Costs related to these cancellations have been reflected in these financial statements. Effective December 31, 2020, the EWC program was cancelled, and the facility and accompanying property were approved for sale [*note 5*]. Proceeds on the sale of these assets, net of disposal costs, were reflected in 2022, the year of sale.

Funding arrangements for ongoing programs have been confirmed to continue through their regularly scheduled funding periods. Thus, management believes that the impact, if any, to the financial statements will not be material.

Revenues from government measures included the Canada Emergency Wage Subsidy ["CEWS"] and Canada Emergency Rent Subsidy ["CERS"]. During the year, Historica received \$227,514 [2021 – \$628,855] and \$57,808 [2021 – \$27,517] from the CEWS and CERS programs, respectively. Any subsidies applied for and received are related to expenses not funded by other programs. Both subsidy programs were discontinued in the current year.