Financial Statements of

CANADIAN GLOBAL AFFAIRS INSTITUTE

And Independent Auditors' Report thereon

Years ended December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Canadian Global Affairs Institute

Opinion

We have audited the financial statements of Canadian Global Affairs Institute (the Entity), which comprise:

- the statements of financial position as at December 31, 2021 and 2020
- the statements of operations for the years then ended
- the statements of changes in deficiency for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021 and 2020, and its results of operations and its cash flows for the years 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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 the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 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 auditors' 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 auditors' 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

March 31, 2022

CANADIAN GLOBAL AFFAIRS INSTITUTE

Statements of Financial Position

December 31, 2021 and December 31, 2020

	2021	2020
Assets		
Current Assets:		
Cash	$ 55,034	77,245
Accounts receivable	53,693	48,079
Prepaids and deposits	7,954	3,792
	116,681	129,116
Property and Equipment (note 3)	777	1,555
	$ 117,458	$ 130,671
Liabilities and Deficiency		
Current Liabilities:		
Accounts payable and accrued liabilities (note 2)	$ 72,070	$ 82,370
Revolving operating loan (note 4)	14,114	-
CEBA Loan (note 7)	36,706	27,792
Deferred revenue (note 5)	172,044	214,603
	294,934	324,765
Deficiency	(177,476)	(194,094)
Commitments (note 8)		
	$ 117,458	$ 130,671

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

CANADIAN GLOBAL AFFAIRS INSTITUTE

Statements of Operations

Years ended December 31, 2021 and 2020

		2021		2020
Revenue:				
Events (note 2)	$	465,075	$	449,922
Donations (note 2)		309,218		466,602
Grants and project funding (note 7)		156,664		232,864
Interest		29		18
		930,986		1,149,406
Expenses:				
Project support services (notes 2, 6)		478,708		462,733
Fundraising (notes 2, 6)		247,112		245,961
General and administration (notes 2, 6)		133,976		140,519
Projects		50,466		153,747
Interest		3,328		4,239
Amortization		778		777
		914,368		1,007,976
Excess of revenue over expenses	$	16,618	$	141,430

See accompanying notes to financial statements.

CANADIAN GLOBAL AFFAIRS INSTITUTE

Statements of Changes in Deficiency

Years ended December 31, 2021 and 2020

		2021		2020
Balance, beginning of year	$	(194,094)	$	(335,524)
Excess of revenue over expenses		16,618		141,430
Balance, end of year	$	(177,476)	$	(194,094)

See accompanying notes to financial statements.

CANADIAN GLOBAL AFFAIRS INSTITUTE

Statements of Cash Flows

Years ended December 31, 2021 and 2020

		2021		2020
Cash (used in) provided by the following activities:				
Operating:				
Excess of revenue over expenses	$	16,618	$	141,430
Add items not affecting cash:				
Amortization		778		777
Amortization of interest-free benefit on CEBA loan		(1,086)		(2,208)
Net change in non-cash working capital:				
Accounts receivable		(5,614)		31,303
Prepaids and deposits		(4,162)		3,308
Accounts payable and accrued liabilities		(10,300)		(123,712)
Deferred revenue		(42,559)		124,603
		(62,635)		35,502
Cash (used in) provided by operating activities		(46,325)		175,501
Financing:				
Draws on revolving operating loan		14,114		(111,388)
Draw on CEBA loan		10,000		30,000
Cash provided by (used in) financing activities		24,114		(81,388)
(Decrease) increase in cash		(22,211)		94,113
Cash (cheques issued in excess of cash on hand), beginning of year		77,245		(16,868)
Cash, end of year	$	55,034	$	77,245

See accompanying notes to financial statements.

Organization

The Canadian Global Affairs Institute (the "Institute") was incorporated under the Canada Corporations Act and obtained status from the Canadian Charities directorate as a registered charity under the Income Tax Act on August 3, 2001. The Institute was continued under the Canada Not-for-profit Corporations Act on August 8, 2014. The Institute is exempt from income taxes. The Institute is dedicated to enhancing Canada's role in the world by helping to stimulate awareness and debate amongst Canadians about their nation's defense and foreign policies and the instruments that serve them.

1. Significant Accounting Policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the Chartered Professional Accountants of Canada Handbook.

(a) Revenue recognition:

The Institute follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related restricted purpose expenses are incurred. Contributions receivable will be recorded if the amount to be received can be reasonably estimated and the collection is reasonably assured.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

The Institute reports revenues and expenses at their gross amounts in the statement of operations when it is the principal in the transactions involved. The Institute acted as the principal in all of its 2021 and 2020 transactions and therefore, all revenues and expenses are reported at their gross amounts.

The Institute applies for financial assistance under available government incentive programs. Government assistance relating to expenses of the period is recorded as grants and project funding revenue on the Statements of Operations. A forgivable government loan is accounted for in the same manner as a grant and the loan is recognized when the Institute becomes entitled to receive it and not at the time such loans are forgiven.

1. Significant Accounting Policies (continued):

(b) Use of estimates:

The preparation of the 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the valuation of accounts receivable, the carrying value of property and equipment the completeness of accrued liabilities and the allocation of expenses. These estimates are reviewed periodically and, when necessary, earnings are adjusted in the period when the adjustments become known. Actual results could differ from those estimates.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Institute has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are any indicators of impairment. If there is an indicator of impairment, the Institute determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial assets or the amount the Institute expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

1. Significant Accounting Policies (continued):

(d) Property and equipment:

Property and equipment are recorded at cost. Amortization is calculated using the following methods and annual rates:

Asset	Basis	Rate
Furniture & Equipment	Straight line	33%

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and exceed its fair value.

When an item of property and equipment no longer contributes to the Institute's ability to provide services, its carrying value is written down to its residual value.

(e) Allocation of expenses:

General support expenses are allocated to project support services expenses, fundraising expenses and general and administrative expenses. Salary and contract expenses are allocated based on actual hours for administrative staff, and budgeted hours for all other staff and contractors. Professional expenses are allocated based on historical resource utilization. General and administrative expenses are also allocated based on historical resource utilization.

2. Related party transactions:

During the year ended December 31, 2021, the Institute paid administrative and consulting fees of $436,168 (2020 - $415,827) to companies owned by management, a company controlled by a member of the Institute, and a company of which that member is a shareholder. Of the administrative and consulting fees $211,156 (2020 - $190,974) are included in Project support services, $180,721 (2020 - $179,836) are included in Fundraising, and $44,291 (2020 - $45,017) are included in General and administration. At the year ended December 31, 2021, the Institute had payables in the amount of $28,397 (2020 – $45,875) owing to these related parties.

During the year ended December 31, 2021, the Institute recognized donations in the amount of $208,518 (2020 - $387,750) and events revenue in the amount of $nil (2020 - $2,500) from Directors, members, companies controlled by members, and a company in which a Director was a member of the executive team.

All related party transactions are provided in the normal course of business and recorded at the exchange amount being the amount agreed to by the parties.

3. Property & equipment:

December 31, 2021	Cost	Accumulated amortization	Net book value
Furniture and equipment	$ 2,332	$ 1,555	$ 777
Total	$ 2,332	$ 1,555	$ 777

December 31, 2020	Cost	Accumulated amortization	Net book value
Furniture and equipment	$ 2,332	$ 777	$ 1,555
Total	$ 2,332	$ 777	$ 1,555

4. Revolving operating loan:

The Institute's revolving Operating Loan Facility (the "Loan Facility") with a Canadian bank is available with a borrowing limit of $150,000 (2020 – $150,000), as well as a corporate Mastercard facility with a borrowing limit of $50,000 (2020 – $50,000). The Loan Facility bears interest at the bank's prime rate plus 1.5% per annum and is payable in full on demand by the bank. The balances outstanding on the Loan Facility and the corporate Mastercard facility on December 31, 2021 were $14,114 (2020 – $nil) and $nil (2020 – $nil), respectively. The Loan Facility is secured by a general security agreement over all present and after-acquired personal property and the Institute is required to comply with positive, negative and financial covenants that requires the Institute to maintain an Interest Coverage ratio of at least 3.00:1. This ratio was met on December 31, 2021 and 2020.

5. Deferred revenue:

Deferred revenue includes the unrecognized interest-free benefit of $1,086 (2020 - $2,208) on the CEBA loan (note 7) as well as prepayment of revenue for sponsorships taking place in the following year.

6. Allocated expenses:

Salary and contract expense, professional expense, and other general support expense are allocated as follows:

December 31, 2021		Salary and contract expense		Professional expense		Other general support expense		Total
Project support services	$	353,309	$	35,212	$	90,187	$	478,708
Fundraising		180,721		25,080		41,311		247,112
General & administration		86,837		18,337		28,802		133,976
Total	$	620,867	$	78,629	$	160,300	$	859,796

December 31, 2020		Salary and contract expense		Professional expense		Other general support expense		Total
Project support services	$	346,749	$	43,476	$	72,508	$	462,733
Fundraising		179,837		29,433		36,691		245,961
General & administration		96,605		21,108		22,806		140,519
Total	$	623,191	$	94,017	$	132,005	$	849,213

7. COVID-19 and government assistance:

COVID-19 impact on the Institute:

While the disruption caused by COVID-19 is currently expected to be temporary, there is considerable uncertainty around its duration. The COVID-19 pandemic presents uncertainty over future cash flows, may cause significant changes to the Institute's assets or liabilities and may have a significant impact on its future operations. The COVID-19 pandemic has resulted in an inability to host in-person events of any kind, impacting the Institute's revenue-generating capability. Because the Institute could not hold in-person events, one employee was released. The institute has retained all other personnel, enhanced by the federal government's Canada Emergency Wage Subsidy (CEWS) plan, as described below. As at December 31, 2021 , the Institute had received a $60,000 Canada Emergency Business Account (CEBA) loan. Any related financial impact of COVID-19 on the Institute or broader economic influences in future periods cannot be reasonably estimated at this time.

7. COVID-19 and government assistance (continued):

As at the reporting date, the Institute has determined that COVID-19 has had no impact on its accounting policies, contracts or lease agreements, the assessment of provisions and contingent labilities, or the timing of revenue recognition, The Institute has not assessed any impairment that needs to be recognized on its property and equipment at December 31, 2021, as it continues to use these assets in the normal course of operations. The Institute continues to manage liquidity risk by forecasting and assessing cash flow requirements on an ongoing basis. As at December 31, 2021, the Institute continues to meet its contractual obligations within normal payment terms and the Institute's exposure to credit risk remains largely unchanged.

Canada emergency wage subsidy

In response to the impact of the COVID-19 pandemic on Canadian businesses, the Canadian government announced the Canada Emergency Wage Subsidy ("CEWS") program on March 27, 2020. The CEWS program was initially applicable for the period March 15 to June 6, 2020, which end date was later extended to October 23, 2021, with further modifications and transitional rules to the program announced.

The Institute recognized CEWS of $65,763 (2020 - $62,624) in respect of its employees for the period from January 1, 2021 to October 24, 2021. Such subsidy amounts have been presented as grant and project funding revenue on the Statements of Operations. While qualifications and subsidy amounts may be subject to audit by the CRA, the Institute is confident with respect to its entitlement to the subsidies received.

Canada Emergency Rent Subsidy:

The Government of Canada created a program called the Canada Emergency Rent Subsidy ("CERS") to provide financial assistance to companies who experienced a drop in revenues resulting from the COVID-19 outbreak. During the year, the Institute met the eligibility requirements and applied for $27,485 (2020 – $9,976). The entire amount is non-repayable. The subsidy has been recognized as grant and project funding revenue on the Statement of Operations for the year ended December 31, 2021. Included in accounts receivable as at December 31, 2021 is $nil (2020 - $3,299).

7. COVID-19 and government assistance (continued):

Canada Emergency Business Account loan:

The Government of Canada created a program called the Canada Emergency Business Account ("CEBA") intended to support small businesses during the COVID-19 outbreak by providing a loan to assist in covering expenses that could not be avoided or deferred. During the year, the Institute received $20,000 (2020 – $40,000). The loan is interest-free until December 31, 2023.

Repayment of the balance of the loan on or before December 31, 2023 will result in a loan forgiveness of 33% or $20,000. An additional $10,000 amount has been recognized in grants and project funding revenue on the Statements of Operations for the year ended December 31, 2021 (2020 - $10,000). The CEBA loan payable has been recorded at fair value using an imputed interest rate of prime plus 1.5% per annum. The estimated fair value at recognition of the loan is $34,941 (2020 - $27,025) and the deferred grant income component is $5,059 (2020 - $2,975). Included in interest expense is $29 (2020 - $767) related to accretion expense on the CEBA loan and included in grants and project funding revenue is $29 (2020 - $767) related to amortization of the deferred interest-free benefit.

Starting January 1, 2024, the unpaid principal of the loan is repayable on a monthly basis, at an annual interest rate of 5% per annum up to December 31, 2025. It is Management's intent to repay the loan in full on or before December 31, 2024.

8. Commitments:

The Institute rents premises under a long-term operating lease that expires on June 30, 2024.The annual rent is $36,561 and the future minimum lease payments to the expiry date are $91,402.

9. Financial risk and concentration of risk:

(a) Credit risk:

The Institute is exposed to credit risk on its accounts receivable from its clients and its cash held at banks. The Institute assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The Institute only deals with reputable financial institutions for its cash deposits.

(b) Interest rate risk:

The Institute is exposed to interest rate cash flow risk as its revolving operating loan bears interest at a variable rate.

9. Financial risk and concentration of risk (continued):

(c) Liquidity risk:

Liquidity risk is the risk of being unable to meet cash requirements or to fund obligations on a timely basis or at a reasonable cost. The Institute prepares annual budgets approved by the Board of Directors to ensure its obligations are met.

There has been no change to the risk exposures from 2020.

10 Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.