



Financial Statements

Restaurants Canada

September 30, 2022



The voice of foodservice | La voix des services alimentaires

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# Independent Auditor's Report

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To the Members of  
**Restaurants Canada**

## Opinion

We have audited the financial statements of Restaurants Canada (the "Association"), which comprise the statement of financial position as at September 30, 2022, and the statements of revenue and expenses, changes in net assets and 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 the Association as at September 30, 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 the Association 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 these 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association'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 Association'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 Association'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 the Association 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.

*Grant Thornton LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
February, 27, 2023

# Restaurants Canada

## Statement of Revenue and Expenses

Year ended September 30

2022

2021

### Revenue

RC Show	\$ 4,071,019	\$ 901,612
Member dues	1,581,516	1,390,033
Administration, royalties and advertising fees from Grouplex (Note 9)	902,431	670,988
Advertising	600,784	630,793
Member programs	265,447	601,632
Rental income	105,516	138,836
Corporate sponsorships	<u>90,984</u>	<u>138,371</u>
	<u>7,617,697</u>	<u>4,472,265</u>

### Expenses

RC Show (Note 11)	3,404,156	1,396,269
Salaries and benefits	2,693,329	2,571,085
Public and government relations	463,304	403,920
Advertising	413,346	310,380
Occupancy	320,637	295,488
General and administrative	309,890	205,521
Depreciation	297,135	305,491
Research and economic analysis	170,768	152,386
Marketing and communications	167,589	146,178
Member programs	166,531	55,089
Governance	129,080	23,077
Corporate sponsorships	<u>47,910</u>	<u>1,032</u>
	<u>8,583,675</u>	<u>5,865,916</u>

Deficiency of revenue over expenses before other items	(965,978)	(1,393,651)
Net (depreciation) appreciation on investments in pooled funds	(351,510)	505,148
Share of Grouplex's net (loss) income (Notes 6 and 9)	(275,339)	457,491
Government assistance	<u>418</u>	<u>817,869</u>

(Deficiency) excess of revenue over expenses	<u>\$ (1,592,409)</u>	<u>\$ 386,857</u>
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See accompanying notes to the financial statements.



# Restaurants Canada

## Statement of Changes in Net Assets

Year ended September 30

	Invested in property and equipment and website	Internally restricted net assets		Unrestricted	2022 Total	2021 Total
		Operating Reserve	Advocacy Fund			
Balance, beginning of year	\$ 4,930,628	\$ 5,407,503	\$ 830,600	\$ 7,347	\$ 11,176,078	\$ 10,789,221
(Deficiency) excess of revenue over expenses	(297,135)	-	-	(1,295,274)	(1,592,409)	386,857
-						
Investment in property and equipment and website	175,054	-	-	(175,054)	-	-
Special advocacy initiatives	-	-	(113,433)	113,433	-	-
Transfer for repatriation draw	-	50,000	-	(50,000)	-	-
Transfer of membership revenue to Advocacy Fund	-	-	137,588	(137,588)	-	-
Transfer of investment loss on investments in pooled funds to Operating Reserve	-	(350,248)	-	350,248	-	-
Transfer of investment loss on investments in pooled funds to Advocacy Fund	-	-	(1,262)	1,262	-	-
Balance, end of year	<u>\$ 4,808,547</u>	<u>\$ 5,107,255</u>	<u>\$ 853,493</u>	<u>\$ (1,185,626)</u>	<u>\$ 9,583,669</u>	<u>\$ 11,176,078</u>

See accompanying notes to the financial statements.

# Restaurants Canada

## Statement of Cash Flows

Year ended September 30

2022

2021

Increase (decrease) in cash

### Operating

(Deficiency) excess of revenue over expenses	\$ (1,592,409)	\$ 386,857
Items not involving cash		
Depreciation of property and equipment	257,670	276,860
Depreciation of website	39,465	28,631
Net depreciation (appreciation) on investments in pooled funds	351,510	(505,148)
Share of Groupepex's net loss (income)	275,339	(457,491)

Net change in non-cash working capital items

Accounts receivable	314,786	(133,156)
Inventory	51	2,887
Prepaid expenses and deposits	38,084	(83,627)
Accounts payable and accrued liabilities	277,375	312,589
Deferred revenue	<u>(388,678)</u>	<u>575,318</u>

(426,807)      403,720

### Investing

Purchase of property and equipment	(11,179)	(18,257)
Purchase of website	<u>(163,875)</u>	-

(175,054)      (18,257)

### Financing

Increase (decrease) of bank indebtedness	<u>540,000</u>	<u>(320,000)</u>
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(Decrease) Increase in cash      **(61,861)**      65,463

Cash

Beginning of year	<u>78,305</u>	<u>12,842</u>
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End of year	<u>\$ 16,444</u>	<u>\$ 78,305</u>
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See accompanying notes to the financial statements.



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# Restaurants Canada

## Notes to the Financial Statements

September 30, 2022

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### 1. Nature of operations

Restaurants Canada (the “Association”) is a not-for-profit association incorporated, without share capital, under the laws of Canada and has continued under the Canada Not-for-Profit Corporations Act. The Association is committed to representing its members before government and delivering informational, educational, group buying and trade show services to its membership. The Association is governed by a volunteer Board of Directors which encompasses every geographical region of Canada and every sector of the industry.

As a not-for-profit organization, the Association is exempt from income taxes under Paragraph 149(1)(l) of the Income Tax Act (Canada).

The Association’s financial statements include the Association’s investment in Grouplex Systems Canada Inc. (“Grouplex”), accounted for using the equity method (Note 9).

On March 11, 2019, the Association signed a management agreement with Canadian Hospitality Foundation (“CHF”), a registered charity under the Canada Not-for Profit Corporations Act. Based on the Association’s assessment of the agreement, the Association is deemed to control CHF, and therefore, has disclosed a financial summary of its operations in Note 10.

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### 2. Summary of significant accounting policies

These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). ASNPO are part of Canadian generally accepted accounting principles.

ASNPO requires entities to select policies appropriate for their circumstances from policies provided in these standards. The following are the policies selected and applied by the Association in these financial statements.

#### Financial instruments

The Association’s financial instruments comprise:

- Cash
- Accounts receivable
- Investments in pooled funds
- Bank indebtedness
- Accounts payable

The Association initially measures its financial assets and liabilities at fair value, except for certain non-arm’s length transactions. The Association subsequently measures all of its financial assets and liabilities at amortized cost, except for cash and investments in pooled funds, which are measured at fair value. Unrealized gains and losses on investments in pooled funds are recognized in the statement of revenue and expenses. Transaction costs of financial assets and liabilities are recorded as an expense as incurred.

Financial assets or liabilities obtained in related party transactions are measured at carrying value, which is the amount agreed upon by the related parties.

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# Restaurants Canada

## Notes to the Financial Statements

September 30, 2022

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### 2. Summary of significant accounting policies (continued)

#### Inventory

The cost of inventory comprises the purchase price and other costs directly attributable to its acquisition. Inventory is stated at the lower of cost and net realizable value and relieved on a first-in, first-out basis. Net realizable value is the estimated selling price, in the ordinary course of business, less the estimated costs necessary to make the sale.

Inventory is adjusted to net realizable value when the cost of inventory is not estimated to be recoverable. The amount of any write-down of inventory to net realizable value and all losses of inventory are recognized as an expense in the period the write-down occurs.

#### Property and equipment

Property and equipment are recorded at cost less estimated salvage value and is amortized on a straight-line basis over its estimated useful life as follows:

Building	40 years
Building improvements	20 years
Furniture and fixtures	10 years
Equipment	2 - 10 years
Computer equipment	3 years

Property and equipment are tested for impairment when events or changes in circumstances indicate that an asset might be impaired. The assets are tested for impairment by comparing the net carrying value to their fair value or replacement cost. If the asset's fair value or replacement cost is determined to be less than its net carrying value, the resulting impairment is reported in the statement of revenue and expenses. Any impairment recognized is not reversed.

#### Website

The website is recorded at cost and is amortized over its estimated useful life of five years on a straight-line basis.

#### Investments - other

The Association accounts for investments in for profit entities over which it exercises significant influence or control using the equity method whereby the initial investment is recorded at cost and is subsequently adjusted to reflect the Association's pro-rata share of post-acquisition earnings and capital transactions. The Association discloses a summary of the financial statements of controlled not-for-profit organizations (Note 9) in the notes of the financial statements.

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# Restaurants Canada

## Notes to the Financial Statements

September 30, 2022

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### 2. Summary of significant accounting policies (continued)

#### Net assets

The financial statements have been prepared in a manner which segregates net assets as follows:

- (a) **Invested in property and equipment and website** represents the Association's net investment in property and equipment and its website.
- (b) **Internally restricted** represents amounts that the Board of Directors (the "Board") of the Association have formally set aside to be used for specific purposes.
- (c) **Unrestricted** represents the accumulated deficiency of revenue over expenses from operations.

#### Revenue recognition

RC Show revenue is recognized in the period when the related event occurs.

Member dues are recognized over the 12-month membership term.

Administration, royalty and advertising fees from Groupex, advertising, member programs, rental income, corporate sponsorship and investment income are recognized in the period to which it relates.

#### Government assistance

The Association recognizes government assistance towards current expenses in the statement of revenue and expenses. When government assistance relates to future expenses, the Association defers the assistance and recognizes it in the statement of revenue and expenses as the related expenses are incurred.

#### Deferred revenue

Deferred revenue represents receipts from members of the Association including pre-billings and special assessment fees charged for services to be rendered in future periods.

#### Allocation of expenses to the RC Show

Certain overhead expenses are incurred to support the RC Show. The expenses are allocated based on time and usage.

# Restaurants Canada

## Notes to the Financial Statements

September 30, 2022

### 2. Summary of significant accounting policies (continued)

#### Use of estimates

Certain items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. These estimates are reviewed periodically, and adjustments are made to the excess of revenue over expenses in the year they become known. Items subject to significant management estimates include the allowance for doubtful accounts, fair value of investments in pooled funds and the useful lives, fair value and replacement cost of property and equipment and website and accrued liabilities.

Management reviews the carrying amounts of items in the financial statements at each statement of financial position date to assess the need for revision or the recognition of any possibility of impairment.

### 3. Property and equipment

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>2022 Net Book Value</u>	<u>2021 Net Book Value</u>
Building	\$ 4,739,005	\$ 1,095,895	\$ 3,643,110	\$ 3,761,585
Building improvements	1,515,744	617,762	897,982	973,771
Furniture and fixtures	227,950	176,979	50,971	73,766
Equipment	250,484	210,156	40,328	67,431
Computer equipment	<u>220,131</u>	<u>211,257</u>	<u>8,874</u>	<u>11,203</u>
	<u>\$ 6,953,314</u>	<u>\$ 2,312,049</u>	<u>\$ 4,641,265</u>	<u>\$ 4,887,756</u>

### 4. Website

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>2022 Net Book Value</u>	<u>2021 Net Book Value</u>
Website	\$ 332,412	\$ 165,130	\$ 167,282	\$ 42,872

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# Restaurants Canada

## Notes to the Financial Statements

September 30, 2022

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### 5. Investments in pooled funds

Investments in pooled funds consist of investments held by Gluskin Sheff and Associates (GS+A). The investments in pooled funds are as follows:

	<u>2022</u>	<u>2021</u>
Blair Franklin Global Credit Fund Lead Series	\$ 1,441,207	\$ 2,020,606
GS+A Premium Income Fund	989,266	1,020,552
GS+A U.S Equity Fund	676,171	629,332
Onex High Yield Bond Fund (Canada)	485,137	548,128
GS+A International Fund	437,519	531,578
Blair Franklin Global Credit Fund Feb 2021	257,892	-
GS+A Global Special Situations Fund Apr 2017	253,022	278,167
GS+A Short Term Bond Fund	224,169	-
GS+A Global Special Situations Fund Apr 2022	134,940	-
GS+A High Interest Cash Fund	128,795	351,265
	<u>\$ 5,028,118</u>	<u>\$ 5,379,628</u>

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### 6. Investments - other

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 2,604,444	\$ 2,146,953
Share of Groupex's net (loss) income (Note 9)	<u>(275,339)</u>	457,491
Balance, end of year	<u>\$ 2,329,105</u>	<u>\$ 2,604,444</u>

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### 7. Bank indebtedness

The Association has an operating line of credit of \$1,500,000, of which \$790,000 was drawn upon at September 30, 2022 (2021 - \$250,000). Any outstanding balance is due on demand, bears interest at the bank prime rate plus 1/2% per annum, and is secured by a continuing collateral mortgage representing a first charge against real property located at 1155-1171 Queen Street West.

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### 8. Accounts payable and accrued liabilities

	<u>2022</u>	<u>2021</u>
Trade payables and accrued liabilities	\$ 980,573	\$ 567,854
Government remittances	<u>-</u>	<u>135,344</u>
	<u>\$ 980,573</u>	<u>\$ 703,198</u>

# Restaurants Canada

## Notes to the Financial Statements

September 30, 2022

### 9. Groupex Systems Canada Inc.

The Association has a 100% ownership in Groupex, a for-profit company that establishes and operates buying groups in Canada for the food services industry. The Association's investment in Groupex is accounted for using the equity method.

Administration, royalty and advertising fees from Groupex are as follows:

	<u>2022</u>	<u>2021</u>
Administration fees	\$ 387,500	\$ 350,000
Royalties	454,931	260,988
Advertising fees	<u>60,000</u>	<u>60,000</u>
	<u>\$ 902,431</u>	<u>\$ 670,988</u>

At year-end, accounts receivable includes \$ 211,775 (2021 - \$322,897) due from Groupex.

Financial summaries of Groupex as at September 30, 2022 and 2021 and for the periods then ended are as follows:

	<u>2022</u>	<u>2021</u>
<b>Financial position</b>		
Total assets	\$ 6,339,314	\$ 6,450,154
Total liabilities	<u>5,526,765</u>	<u>5,351,252</u>
Capital stock and retained earnings	<u>\$ 812,549</u>	<u>\$ 1,098,902</u>
<b>Results of operations</b>		
	<u>2022</u>	<u>2021</u>
Total revenue	\$ 11,398,523	\$ 11,943,306
Allocation of rebates to members	6,962,678	5,666,239
Total expenses	<u>4,711,184</u>	<u>5,819,576</u>
Net (loss) income	<u>\$ (275,339)</u>	<u>\$ 457,491</u>
<b>Cash flows</b>		
	<u>2022</u>	<u>2021</u>
Operating activities	\$ (1,450,617)	\$ (1,421,326)
Financing activities	152,438	(241,920)
Investing activities	<u>218,092</u>	<u>1,765,491</u>
(Decrease) increase in cash	<u>\$ (1,080,087)</u>	<u>\$ 102,245</u>

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# Restaurants Canada

## Notes to the Financial Statements

September 30, 2022

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### 10. Canadian Hospitality Foundation

The Association has a management agreement with CHF, a not-for-profit Foundation that offers college and university entrance and in-program scholarships to students entering or in culinary, hospitality, tourism and tourism-hospitality programs. The Association has assessed that they control CHF through the agreement and have disclosed the operations below. The management agreement calls for a management fee to be paid to the Association by CHF. During 2020, it was determined that the best interest of CHF would be met by forgiving the annual fee indefinitely.

Financial summaries of CHF as at September 30, 2022 and 2021 and for the periods then ended are as follows:

	<u>2022</u>	<u>2021</u>
<b>Financial position</b>		
Total assets	\$ 371,949	\$ 444,420
Total liabilities	<u>80,953</u>	<u>-</u>
Net assets	<u>\$ 290,996</u>	<u>\$ 444,420</u>
<b>Results of operations</b>		
	<u>2022</u>	<u>2021</u>
Total revenue	\$ 14,387	\$ 75,776
Unrealized (loss) gain on investments	(113,075)	124,262
Management fee reversed	-	(138,806)
Total expenses	<u>54,736</u>	<u>25,860</u>
(Deficiency) excess of revenue over expenses	<u>\$ (153,424)</u>	<u>\$ 312,984</u>
<b>Cash flows</b>		
	<u>2022</u>	<u>2021</u>
Operating activities	\$ 79,354	\$ 14,982
Financing activities	(54,115)	54,115
Investing activities	<u>-</u>	<u>(54,347)</u>
Increase in cash	<u>\$ 25,239</u>	<u>\$ 14,750</u>

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### 11. Allocations to the RC Show

Human resources and certain other administrative expenses of \$76,177 (2021 - \$230,035) have been allocated to the RC Show.

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# Restaurants Canada

## Notes to the Financial Statements

September 30, 2022

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### 12. Financial instruments risk

The main risks the Association is exposed to through its financial instruments are credit risk, liquidity risk, interest rate cash flow risk, currency risk and other price risk.

#### Credit risk

Credit risk is the risk of financial loss occurring as a result of a counter party to a financial instrument failing to discharge an obligation or commitment that it has entered into with the Association. The Association's main credit risks relate to its accounts receivable.

The Association reduces its exposure to credit risk by monitoring credit risk, adopting policies and procedures to ensure credit is only provided to credit worthy individuals and companies and creating an allowance for doubtful accounts when appropriate. As at September 30, 2022, the allowance for doubtful accounts is \$6,167 (2021 - \$Nil) on \$499,269 (2021 - \$814,055) of receivables. As a result, it is management's opinion that the Association is not exposed to significant credit risk arising from its financial instruments.

#### Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting its obligations. The Association is exposed to this risk mainly in respect of its bank indebtedness and accounts payable.

The Association manages its liquidity risk by forecasting cash flows from operating, investing and financing activities to ensure that it has sufficient funds or financing available to meet current and foreseeable financial obligations in addition to having a line of credit available if needed. As a result, it is management's opinion that the Association is not exposed to significant liquidity risk arising from financial instruments.

#### Interest rate cash flow risk

Interest rate cash flow risk is the risk that the cash flows of the Association will fluctuate due to changes in market interest rates. The Association's interest rate cash flow risk is limited to its bank indebtedness and fixed income investments held within its investments in pooled funds. It is management's opinion that the Association is not exposed to significant interest rate risks arising from its financial instruments.

#### Currency risk

Currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in the rate of exchange between Canadian and foreign currencies. It is management's opinion that the Association is not exposed to significant currency risk arising from its financial instruments as management has developed an investment policy for its investments in pooled funds to ensure the portfolio is appropriately diversified.



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# Restaurants Canada

## Notes to the Financial Statements

September 30, 2022

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### 12. Financial instruments risk (continued)

#### Other price risk

The Association is exposed to certain price risks which cause fair value of its investments in pooled funds to fluctuate.

To protect against this risk, management has developed an investment policy for pooled funds to ensure the portfolio is appropriately diversified. As a result, it is management's opinion that the Association is not exposed to significant other price risk arising from its financial instruments.

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### 13. Commitments

The Association has signed leases for future exposition space, office and photocopiers as follows:

2023	\$	245,946
2024		227,746
2025		<u>20,830</u>
	\$	<u>494,522</u>

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### 14. Comparative figures

Comparative figures have been adjusted to conform to the current year presentation.