

ALBERTA-NWT COMMAND, THE ROYAL CANADIAN LEGION

FINANCIAL STATEMENTS

DECEMBER 31, 2014

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MANAGEMENT'S REPORT

To the members of
Alberta-NWT Command, The Royal Canadian Legion

Management has the responsibility for preparing the accompanying financial statements. This responsibility includes selecting appropriate accounting principles and making objective judgments and estimates in accordance with Canadian accounting standards for not for profit organizations.

In discharging its responsibility for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

The Board of Directors is composed entirely of directors who are neither management or employees of the organization. The Board reviews the financial statements in detail with management prior to their approval of the financial statements for publication.

An external auditor is appointed by the members to the audit the financial statements and report directly to them; his report follows. The external auditor has full and free access to both management and the Board to discuss his audit findings.

Wayne Donner - President

INDEPENDENT AUDITOR'S REPORT

To the Members of:
Alberta-NWT Command, The Royal Canadian Legion

I have audited the accompanying financial statements of Alberta-NWT Command, The Royal Canadian Legion, which comprise the statement of financial position at December 31, 2014, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility 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 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.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2014 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.

Calgary, Alberta

March 5, 2015

Rustam R. Kassam

CERTIFIED MANAGEMENT ACCOUNTANT

ALBERTA-NWT COMMAND, THE ROYAL CANADIAN LEGION

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2014

ASSETS										
	Note	General Fund 2014	General Fund 2013	Youth Fund Restricted	Branch Assistance Restricted	Reserve Fund Restricted	Sports Fund Restricted	Bursary Fund Restricted	Total Restricted 2014	Total Restricted 2013
		\$	\$	\$	\$	\$	\$	\$	\$	\$
Current										
Cash	2	114,316	279,348	38,120	181,014	61,014	51,373	12,274	343,795	529,072
Investments	2,6	590,697	398,627	423,496	1,357,757	240,424	273,906	352,950	2,648,533	2,208,716
Accounts receivable	3	26,911	36,955							
Interfund receivables		631	5	29			17		46	3,513
Due from Poppy/Polio		3,087	1,251							
Inventory	1	16,009	25,691	1,090			9,756		10,846	785
Prepaid expenses		21,042	16,036				12,500		12,500	15,834
		772,693	757,913	462,735	1,538,771	301,438	347,552	365,224	3,015,720	2,757,920
Loans receivable	4				165,146				165,146	226,761
Capital Assets	5	502,402	519,963							
Copyrights and patents	5				280,000				280,000	315,000
		1,275,095	1,277,876	462,735	1,983,917	301,438	347,552	365,224	3,460,866	3,299,681
LIABILITIES AND NET ASSETS										
Current										
Deferred contributions	1	95,367	164,916				8,291		8,291	14,341
Interfund payables		46	3,513		624		7		631	5
Accounts payable	9	24,713	22,517							7,271
		120,126	190,946		624		8,298		8,922	21,617
Net assets		1,154,969	1,086,930	462,735	1,983,293	301,438	339,254	365,224	3,451,944	3,278,064
		1,275,095	1,277,876	462,735	1,983,917	301,438	347,552	365,224	3,460,866	3,299,681
On behalf of the Board										
					President					
					Treasurer					

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund		Youth Fund <R>		Branch Assistance <R>		Reserve Fund <R>		Sports Fund <R>		Bursary Fund <R>		Total Restricted <R>	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue														
Interest	17,070	10,025	7,532	8,565	45,647	22,839	424		9,513	3,585	11,902	7,289	75,018	42,278
Per capita	477,714	449,273							41,540	42,811			41,540	42,811
Merchandise sales	9,963	6,447											14,692	8,186
Pull ticket and dispenser sales	257,034	271,372			14,692	8,186					2,088	3,417	2,088	3,417
License plates/storage	1,400	1,400			400								400	
Administrative fee	45,600	45,600									2,000	1,000	3,500	3,000
Donations	4,800	4,800	1,500	2,000									48,332	63,548
Pull ticket contributions			48,332	63,548	204,468	175,070							204,468	175,070
Recognition book					7,250								7,250	
Miscellaneous	2,823	252					50,000					12,000	50,000	785,616
Interfund transfers in														
Dominion Command recovery	1,937	1,582							21,943	21,324			21,943	21,324
Registration fees		22,218			17,594								17,594	
Business manager recaptured														
	818,341	812,969	57,364	74,113	290,051	929,711	50,424	50,000	72,996	67,720	15,990	23,706	486,825	1,145,250
Expenses														
Administration (Schedule 1)	405,218	377,661			139,285	88,067					2,400	2,400	141,685	90,467
Organization (Schedule 2)	68,287	126,749											12,664	7,184
Pull ticket and dispenser expenses	216,952	227,912			12,664	7,184							14,000	14,000
Recognition book expenses					14,000	14,000								
Merchandise	9,845	6,057												
Awards, bursaries & grants					10,617	3,000					17,000	19,000	27,617	22,000
Donations			3,000	2,500									3,000	2,500
Interfund transfers out	50,000	50,000						723,616						723,616
Sports events (Schedule 4)									54,783	50,737			54,783	50,737
Youth events (Schedule 5)			59,196	53,019									59,196	53,019
	750,302	788,379	62,196	55,519	176,566	112,251			723,616	54,783	19,400	21,400	312,945	963,523
Excess(deficiency)	68,039	24,590	-4,832	18,594	113,485	817,460	50,424	-673,616	18,213	16,983	-3,410	2,306	173,880	181,727
	1,086,930	1,062,340	467,567	448,973	1,869,808	1,052,348	251,014	924,630	321,041	304,058	368,634	366,328	3,278,064	3,096,337
Fund balance, beginning														
	1,154,969	1,086,930	462,735	467,567	1,983,293	1,869,808	301,438	251,014	339,254	321,041	365,224	368,634	3,451,944	3,278,064

ALBERTA-NWT COMMAND, THE ROYAL CANADIAN LEGION

STATEMENT OF CHANGES IN NET ASSETS DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u>
	\$	\$
NET ASSETS, beginning of year	4,364,994	4,158,677
EXCESS OF REVENUES OVER EXPENSES		
General fund	68,039	24,590
Restricted funds	173,880	181,727
NET ASSETS, end of year	4,606,913	4,364,994
Comprised as follows:		
Unrestricted	1,154,969	1,086,930
Restricted - internally	3,451,944	3,278,064
	4,606,913	4,364,994

ALBERTA-NWT COMMAND, THE ROYAL CANADIAN LEGION

STATEMENT OF CASH FLOWS DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u>
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues	241,919	206,317
Items not requiring an outlay of cash:		
Amortization	67,095	32,473
	309,014	238,790
CHANGES IN NON-CASH WORKING CAPITAL:		
Increase in prepaid expenses	(1,672)	(6,472)
Increase in inventories	(379)	(374)
Increase in deferred revenue	(75,599)	(18,922)
Decrease in accounts payable and accrued liabilities	(7,916)	(8,025)
Decrease in accounts receivable	11,049	331,189
	234,497	536,186
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to capital assets	(14,533)	(329,442)
Increase in investments	(631,887)	(201,362)
(Increase) decrease in loans	61,614	35,838
	(584,806)	(494,966)
CASH FLOWS USED IN INVESTING ACTIVITIES		
NET DECREASE (INCREASE) IN CASH	(350,309)	41,220
CASH, BEGINNING OF YEAR	808,420	767,200
CASH, END OF YEAR	458,111	808,420
Cash is comprised of:		
General fund	114,316	279,348
Restricted funds	<u>343,795</u>	<u>529,072</u>
	458,111	808,420

ALBERTA-NWT COMMAND, THE ROYAL CANADIAN LEGION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014

NATURE OF ORGANIZATION

Alberta - NWT Command, The Royal Canadian Legion is a non-profit organization whose purpose is to provide centralized administration and services for branches of the Royal Canadian Legion located in Alberta and the Northwest Territories and to provide fund administration for various charitable and financial activities of the Royal Canadian Legion in Alberta and the Northwest Territories.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not for profit organizations (ASNFPO). The organization's significant accounting policies are as follows:

(a) Cash and cash equivalents

Cash is defined as cash on hand, cash on deposit, and short term deposits with a maturity dates of less then 90 days, net of cheque's issued and outstanding at the reporting date.

(b) Inventories

Inventories are valued at the lower of cost, determined on weighted average cost basis, and net realizable value and included the purchase price, freight, and any other costs directly attributable to the acquisition of inventory.

(c) Capital assets

The organization provides for amortization using the following methods at the annual rates indicated below:

Building - declining balance - 5%

Computer - straight line - 5 years

Furniture and equipment - declining balance - 20%.

Copyrights/patents/trademarks - 10 year straight line

(d) Revenue Recognition

The organization follows the restricted fund method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which they are received. 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.

(e) Income Taxes

The organization is a non - profit organization as defined under section 149(1) (l) of the income tax act, and accordingly it is not subject to income taxes.

(f) Deferred contributions

Contributions received for per capita tax, relating to the 2015 year are deferred to the year for which they are applicable.

(g) Continued operations

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of operations. The organization's ability to continue as a going concern is dependent on the continuity of receiving contributions and donations to cover its expenses and meet its commitments

ALBERTA-NWT COMMAND, THE ROYAL CANADIAN LEGION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Bursary Fund

This fund is set up to provide bursaries for post-secondary education.

(i) Youth Fund

This fund is set up to provide funding for various youth activities. It is funded by 3% of the charitable portion from branch pull ticket operations and from donations.

(j) Branch Assistance

This fund is set up to provide financial assistance and advice to the Royal Canadian Legion branches within the Alberta-NWT Command jurisdiction.

(k) Sports Fund

This fund is set up to provide funding for various sporting activities and is funded by per capita income.

(l) Reserve Fund

This fund contains amounts retained for building maintenance and repairs, future convention expenses, and special youth events..

(m) Use of estimates

The preparation of financial statements, in conformity with Canadian accounting standards for private enterprises, requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Amortization of capital assets is provided for based on the estimated useful lives of these assets. Accounts receivables are stated after evaluation as to their collectibility. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings/net assets in the period in which they become known.

(n) Copyrights/patents/trademarks

Costs incurred in 2013 to obtain necessary copyrights and patents with respect to starting a new lottery, have been capitalized and are being amortized over a ten year period.

2. CASH:

	<u>2014</u>	<u>2013</u>
Cash on hand	\$ 800	\$ 800
Cash on deposit	513,909	862,375
Cheques issued and outstanding	(56,598)	(54,755)
Short term investments	3,239,230	2,607,343
	<hr/> 3,697,341	<hr/> 3,415,763

ALBERTA-NWT COMMAND, THE ROYAL CANADIAN LEGION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014

3. ACCOUNTS RECEIVABLE

	<u>2014</u>	<u>2013</u>
Trade receivables - general fund	26,911	36,955
Trade receivable - restricted fund	-	-
	26,911	36,955

4. LOANS RECEIVABLE

Interest free loans are advanced to various branches through out Alberta and the North West Territories. As at December 31, 2014, there are ten (2013 - twelve) such loans amounting to \$165,146 (2013 - \$226,761).

5. CAPITAL ASSETS

	<u>Cost</u>	<u>Amortization</u>	<u>2014</u>	<u>2013</u>
	\$	\$	Total	Total
	\$	\$	\$	\$
Land	8,000	-	8,000	8,000
Building	667,494	215,255	452,239	476,042
Computer	103,411	74,160	29,251	19,782
Furniture and equipment	243,695	230,783	12,912	16,139
	1,022,600	520,198	502,402	519,963
Copyrights and patents	350,000	70,000	280,000	315,000

6. INVESTMENTS

Investments are recorded at fair market value. Organization's investments are primarily comprised of money market funds, government and corporate bonds.

7. SERVICE BUREAU

During the year, the organization charged 100% of the service bureau expenses to Alberta - NWT Command Poppy Fund. In addition to performing general administrative functions, the service bureau personnel process veterans assistance applications, grant requests, and attend committee meetings and workshops.

ALBERTA-NWT COMMAND, THE ROYAL CANADIAN LEGION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014

8. FINANCIAL RISKS AND CONCENTRATION OF RISK

Cash flow risk

The organization is exposed to cash flow risk resulting from the possibility that future cash flows associated with a monetary financial instrument will fluctuate in amount.

The exposure of the organization to cash flow risk arises from certain of its interest bearing assets.

The organization's cash includes amounts on deposit with financial institutions that earn interest at market rates.

The organization manages its exposure to the cash flow risk of its cash by maximizing the interest income earned on excess funds while maintaining the minimum liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the organization's results of operations.

Credit risk

The organization is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party or if there is a concentration of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The organization does not hold directly any collateral as security for financial obligations.

Cash and investments: Credit risk associated with cash and Canadian fixed income investments is minimized substantially by ensuring that these assets are invested in financial obligations of major financial institutions.

Amounts receivable: Credit risk associated with amounts receivable is minimized by the organization's receivable being within the organizational structure (branches and legion lottery) and, accordingly, the organization does not anticipate significant loss for non-performance.

Liquidity risk

Liquidity risk is the risk that the organization will not be able to meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of the organization not being able to liquidate its assets in a timely manner at a reasonable price.

The organization meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

Price risk

The organization is exposed to price risk in the form of currency risk, interest rate risk and market risk

ALBERTA-NWT COMMAND, THE ROYAL CANADIAN LEGION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014

8. FINANCIAL RISKS AND CONCENTRATION OF RISK (Continued)

Currency risk

Currency risk refers to the risk that the fair value of financial instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

The functional currency of the organization is the Canadian dollar, and all transactions and investments are made in Canadian dollars.

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments will fluctuate due to changes in market interest rates.

The exposure of the organization to interest rate risk arises from certain of its interest bearing assets. The organization has no other interest bearing liabilities.

The primary objective of the organization with respect to its investments in fixed income investments is to ensure the security of principal amounts invested for a high degree of liquidity, while achieving a satisfactory investment return. Investments in equity securities are not exposed to significant interest rate risk.

Market risk

Market risk refers to the risk that the fair value of financial instruments will fluctuate because of changes in market prices whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The organization is not exposed to equity securities market risk because of the nature of its investments.

9. ACCOUNTS PAYABLE

There are no government remittances included in accounts payable.

10. CONTINGENT LIABILITIES

The organization has a pending lawsuit that was filed against it and two members of the board of directors in November, 2012.

It was filed by some members and non-members of a branch whose charter had been suspended. The branch charter was reinstated in November, 2014. In January, 2013 the organization filed an injunction against some members of the branch and Stride Management Corp. to have documents pertaining to the Legion Million Dollar Lottery returned to the branch. Stride Management Corp. has filed a Counterclaim. in January, 2013. There has been no activity in any of these claims.

ALBERTA-NWT COMMAND, THE ROYAL CANADIAN LEGION

GENERAL AND ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2014 Schedule 1

	2014	2013
	\$	\$
Amortization	30,645	32,473
Donations	200	200
GST non-refundable	6,043	9,050
Insurance	5,789	6,109
Office and miscellaneous	8,457	7,582
Postage	6,087	4,751
Professional fees	24,943	16,652
Promotional items	1,843	1,016
Repairs and maintenance	39,659	34,560
Salaries and benefits	249,202	245,661
Telephone	4,465	4,527
Computer	5,933	1,948
Building bridges	1,203	384
Manual of information	1,575	-
Travel	1,363	1,187
Utilities	9,511	8,305
Web site	4,670	3,256
Graphic design and advertising	3,630	-
	<u>405,218</u>	<u>377,661</u>

ALBERTA-NWT COMMAND, THE ROYAL CANADIAN LEGION

ORGANIZATION COSTS FOR THE YEAR ENDED DECEMBER 31, 2014 Schedule 2

	2014	2013
	\$	\$
Executive		
Full Executive Council	19,229	15,899
Senior Elected Officers	6,009	5,391
Other Council	6,956	11,704
	32,194	32,994
District		
District and Deputy Commanders	9,754	14,255
Commanders' Authorized Visits	1,412	3,510
	11,166	17,765
Committee expenses		
Constitution and Law	176	219
Branch Hearings	69	68
Financial Advisory	501	455
Honours and Awards	123	588
Restructuring committee	-	1,861
Memberships committee	1,100	-
	1,969	3,191
Convention expenses		
Command - Provincial	-	70,729
Command - Dominion	21,303	-
Out of Province	1,655	2,070
	22,958	72,799
	68,287	126,749

ALBERTA-NWT COMMAND, THE ROYAL CANADIAN LEGION

**SERVICE BUREAU EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
Schedule 3**

	2014	2013
	\$	\$
Salaries and benefits	239,791	253,268
Administration	20,550	24,706
Seminars, travel	5,726	5,098
	<u>266,067</u>	<u>283,072</u>
Charged to Poppy Fund	<u>266,067</u>	<u>283,072</u>

ALBERTA-NWT COMMAND, THE ROYAL CANADIAN LEGION

SPORTS FUND DETAILS FOR THE YEAR ENDED DECEMBER 31, 2014 Schedule 4

	2014	2013
	\$	\$
Revenue		
Interest	9,513	3,585
Per capita	41,540	42,811
8 Ball Pool	1,757	1,757
Cribbage	5,914	5,486
Darts	9,814	9,257
Euchre	1,200	1,310
Shuffleboard	3,258	3,514
	<u>72,996</u>	<u>67,720</u>
Expenses		
Administrative	13,983	14,158
Crests/Plaques/Promo	7,853	2,768
8 Ball Pool	4,078	4,754
Cribbage	9,693	10,748
Darts	10,595	8,739
Euchre	2,121	2,043
Shuffleboard	6,460	7,527
	<u>54,783</u>	<u>50,737</u>
Excess	<u>18,213</u>	<u>16,983</u>

ALBERTA-NWT COMMAND, THE ROYAL CANADIAN LEGION

YOUTH FUND DETAILS FOR THE YEAR ENDED DECEMBER 31, 2014 Schedule 5

	2014	2013
	\$	\$
Revenue		
Pull ticket contributions	48,332	63,548
Donations	1,500	2,000
Interest	7,532	8,565
	57,364	74,113
Expenses		
Administrative	13,210	13,301
Medal of excellence	1,329	1,142
MLA for a day	14,369	13,158
National track and field	24,939	24,711
Non refundable GST	768	707
Colouring book	4,581	-
	59,196	53,019
Donations	3,000	2,500
	3,000	2,500
Excess	-4,832	18,594