

ROYAL CANADIAN LEGION CALGARY BRANCHES POPPY FUND
Financial Statements
Year Ended September 30, 2017

ROYAL CANADIAN LEGION CALGARY BRANCHES POPPY FUND

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Year Ended September 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Trustees of Royal Canadian Legion Calgary Branches Poppy Fund

We have audited the accompanying financial statements of Royal Canadian Legion Calgary Branches Poppy Fund, which comprise the statement of financial position as **at September 30, 2017** and the statements of revenues and expenditures, changes in net assets and cash flow 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

(continues)

Independent Auditor's Report to the Trustees of Royal Canadian Legion Calgary Branches Poppy Fund
(continued)

Basis for Qualified Opinion

In common with many not-for-profit organizations, Royal Canadian Legion Calgary Branches Poppy Fund derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Royal Canadian Legion Calgary Branches Poppy Fund. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended September 30, 2017, current assets and net assets as at September 30, 2017.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Royal Canadian Legion Calgary Branches Poppy Fund as at September 30, 2017 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements for the year ended September 30, 2016 were unaudited and are presented for comparative purposes only.

Calgary, Alberta
March 29, 2018



Filing deadline is March 31.

ROYAL CANADIAN LEGION CALGARY BRANCHES POPPY FUND

Statement of Revenues and Expenditures

Year Ended September 30, 2017

	2017	2016
REVENUES		
Campaign revenue (<i>Schedule 1</i>)	\$ 2,222,997	\$ 2,221,253
Veteran's Food Bank revenue (<i>Schedule 2</i>)	1,389,580	829,907
Investment revenue (<i>Schedule 3</i>)	48,342	138,342
	<u>3,660,919</u>	<u>3,189,502</u>
DIRECT CAMPAIGN EXPENSES		
Supplies and other	202,084	209,422
Postage and printing	24,416	76,428
Advertising and promotion	1,336	18,046
	<u>227,836</u>	<u>303,896</u>
NET REVENUE	<u>3,433,083</u>	<u>2,885,606</u>
OPERATING EXPENSES		
Food vouchers and hampers	713,095	1,002,176
Donations - other (<i>Note 5</i>)	264,399	1,084,274
Major assistance	226,731	496,407
Wages and benefits	156,459	121,779
Storage	60,815	48,099
Rent	34,795	16,776
Automotive and travel	21,809	22,036
Repairs and maintenance	7,207	13,126
Meals on wheels	2,986	4,048
Training	1,366	5,126
Supplies and other	532	-
Security	444	-
Minor assistance	354	936
Sick and visiting	156	156
Donation - Provincial command (<i>Note 5</i>)	-	500,000
	<u>1,491,148</u>	<u>3,314,939</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Wages and benefits	\$ 209,060	\$ 138,595
Professional fees	87,763	11,757
Office and miscellaneous	52,411	56,058
Office rent	45,237	24,474
Amortization	34,249	41,348
Utilities	9,744	9,213
Investment management expenses	8,498	12,871
Insurance	8,077	7,719
Bank charges	7,909	4,553
Telephone	7,821	7,530
	<u>470,769</u>	<u>314,118</u>
EXCESS (DEFICIENCY) OF REVENUES OVER OPERATING EXPENSES	<u>\$ 1,471,166</u>	<u>\$ (743,451)</u>

See notes to financial statements

ROYAL CANADIAN LEGION CALGARY BRANCHES POPPY FUND

Statement of Changes in Net Assets

Year Ended September 30, 2017

	<u>2017</u>	<u>2016</u>
NET ASSETS - BEGINNING OF YEAR	\$ 1,738,845	\$ 2,482,296
Excess (deficiency) of revenues over operating expenses	<u>1,471,166</u>	<u>(743,451)</u>
NET ASSETS - END OF YEAR	<u>\$ 3,210,011</u>	<u>\$ 1,738,845</u>

ROYAL CANADIAN LEGION CALGARY BRANCHES POPPY FUND**Statement of Cash Flow****Year Ended September 30, 2017**

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over operating expenses	\$ 1,471,166	\$ (743,451)
Items not affecting cash:		
Amortization of property and equipment	34,249	41,348
Unrealized gain on investments	10,068	(40,725)
Realized gain on investments	(11,452)	(31,489)
Reinvested dividends	(42,301)	(63,463)
	<u>1,461,730</u>	<u>(837,780)</u>
Changes in non-cash working capital:		
Accounts receivable	(820)	(1,657)
Inventory	(350,540)	76,783
Accounts payable and accrued liabilities	(94,836)	(132,508)
Deferred revenue	(39,003)	(53,907)
Prepaid expenses	(13,737)	(6,834)
Goods and services tax payable (recoverable)	13,752	(15,705)
Deferred expenses	57,292	130,805
	<u>(427,892)</u>	<u>(3,023)</u>
Cash flow from (used by) operating activities	<u>1,033,838</u>	<u>(840,803)</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(9,137)	(18,396)
Disposals of short-term investments	199,154	940,676
Cash flow from investing activities	<u>190,017</u>	<u>922,280</u>
INCREASE IN CASH FLOW	1,223,855	81,477
Cash - beginning of year	<u>308,080</u>	<u>226,603</u>
CASH - END OF YEAR	\$ 1,531,935	\$ 308,080

See notes to financial statements

ROYAL CANADIAN LEGION CALGARY BRANCHES POPPY FUND

Notes to Financial Statements

Year Ended September 30, 2017

1. PURPOSE OF THE ORGANIZATION

Royal Canadian Legion Calgary Branches Poppy Fund, including the Veterans Food Bank, (the "Organization") is a not-for-profit organization established under the bylaws of the Royal Canadian Legion. It is also a registered charity under the Income Tax Act. Its primary purpose is to raise funds through the annual "Poppy Campaign" to enable it to provide financial and non-financial assistance to veterans and their dependants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Revenue recognition

Royal Canadian Legion Calgary Branches Poppy Fund follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

The Organization recognizes donations of food and non-food items when the goods are received. Donated food and non-food items are valued based on management's best estimate based on selling prices for comparable items.

Income taxes

The Organization is a not-for-profit organization and a registered charity under the Income Tax Act, and as such is not subject to income taxes.

Short term investments

Short term investments, which consist primarily of mutual fund and bonds, are initially valued at cost and are revalued to market at each reporting period. Market value is determined from information provided by the custodian of the invested funds, ATB Securities Inc., and is based primarily on quoted closing prices at year end.

Inventory

Inventory is measured at the lower of cost or current replacement cost, as the items are distributed at no charge or for a nominal charge. Cost of donated inventories is based on the estimated value of the items at the time of receipt.

(continues)

ROYAL CANADIAN LEGION CALGARY BRANCHES POPPY FUND

Notes to Financial Statements

Year Ended September 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment

Property and equipment is stated at cost or deemed cost less accumulated amortization. Property and equipment is amortized over its estimated useful life at the following rates and methods:

Furniture and equipment	20%	declining balance method
Leasehold improvements	10 years	straight-line method
Medical equipment	20%	declining balance method
Motor vehicles	30%	declining balance method

The Organization regularly reviews its property and equipment to eliminate obsolete items.

Property and equipment acquired during the year but not placed into use is not amortized until it is placed into use.

Deferred revenue and expenses

The poppy campaign transactions for each year commence during the current year and end in the following fiscal year. The major part of revenues and expenses are incurred in the months of October and thereafter.

Revenue and expenses incurred prior to year end and relating to the poppy campaign of the following year are therefore deferred.

Contributed goods and services

Volunteers contribute countless hours per year to assist the Organization in carrying out its service delivery activity and in the annual fundraising poppy campaign. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

ROYAL CANADIAN LEGION CALGARY BRANCHES POPPY FUND

Notes to Financial Statements

Year Ended September 30, 2017

3. SHORT TERM INVESTMENTS

	<u>2017</u>	<u>2016</u>
Shares and mutual funds at cost	\$ 986,220	\$ 1,141,621
Guaranteed investment certificates	10,000	-
	<u>996,220</u>	<u>1,141,621</u>
Allowance for excess of market value over cost base	58,894	68,964
Fair market value	<u>\$ 1,055,114</u>	<u>\$ 1,210,585</u>

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Furniture and equipment	\$ 111,417	\$ 91,914	\$ 19,503	\$ 19,292
Leasehold improvements	30,598	24,240	6,358	2,572
Medical equipment	463,499	393,433	70,066	87,583
Motor vehicles	64,946	37,896	27,050	38,643
	<u>\$ 670,460</u>	<u>\$ 547,483</u>	<u>\$ 122,977</u>	<u>\$ 148,090</u>

5. CONTRIBUTIONS AND DONATIONS

During the year, the Organization donated/contributed to the following organizations

	<u>2017</u>	<u>2016</u>
Bursaries	\$ 155,500	\$ 545,195
Calgary Health Region	88,002	87,554
Other	5,397	33,883
Calgary Health Trust	5,000	164,500
Hospice Calgary	5,000	105,000
[REDACTED]	2,500	-
[REDACTED]	2,000	-
Royal Canadian Sea Cadet Corps	500	500
[REDACTED]	500	-
Royal Canadian Legion Provincial Command	-	500,000
[REDACTED]	-	50,000
[REDACTED]	-	25,000
Linkages Society of Alberta	-	21,000
YWCA Calgary	-	20,000
Various branches of the Royal Canadian Legion	-	7,796
[REDACTED]	-	6,000
[REDACTED]	-	5,846
Canadian Mental Health - Calgary Region	-	5,000
Valour Canada	-	5,000
Calgary Military Family Resource Centre	-	1,000
[REDACTED]	-	1,000
	<u>\$ 264,399</u>	<u>\$ 1,584,274</u>

ROYAL CANADIAN LEGION CALGARY BRANCHES POPPY FUND

Notes to Financial Statements

Year Ended September 30, 2017

6. LEASE COMMITMENTS

The Organization occupies leased premises on a 3 year lease expiring January 31, 2019. This lease is charged out on a proportionate share of the landlord's cost. The minimum lease payment is \$6,045 per month until January 31, 2019.

7. CONTINGENT LIABILITY

The Organization commenced issuing coupons for the Meals on Wheels program which was put in place January 1, 2003. These \$5 coupons allow qualifying veterans to use them to pay a part of the cost of Meals on Wheels, subject to certain monthly limits. The coupons are then submitted for payment periodically to the Organization by the City of Calgary Meals on Wheels program. During the year, \$2,986 (2016 - \$4,048) was expended on this program.

8. RELATED PARTY TRANSACTIONS

The following is a summary of the Organization's related party transactions:

	2017	2016
Royal Canadian Legion Provincial Command - Alberta NWT Command donation	\$ -	\$ 550,000
Various branches of the Royal Canadian Legion		
Campaign donations and wreath sales	(792,096)	(776,201)
Branch donations	2,500	6,000
Donation expense	-	7,796
	<u>(789,596)</u>	<u>(762,405)</u>
	<u>\$ (789,596)</u>	<u>\$ (212,405)</u>

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Organization is a branch of the Royal Canadian Legion Provincial Command - Alberta - NWT. The Organization is related to various branches of the Royal Canadian Legion due to the Organization's charter with the Alberta-NWT Command.

9. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Organization's risk exposure and concentration as of September 30, 2017.

(continues)

ROYAL CANADIAN LEGION CALGARY BRANCHES POPPY FUND

Notes to Financial Statements

Year Ended September 30, 2017

9. FINANCIAL INSTRUMENTS *(continued)*

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Organization is exposed to credit risk from customers. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Organization has a balance due from various customers in the amount of \$523 in accounts receivable (2016 - \$1,656).

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, obligations under capital leases, contributions to the pension plan, and accounts payable.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Organization is mainly exposed to interest risk and other price risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Organization manages exposure through its normal operating and financing activities. The Organization is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization is exposed to other price risk through its investment in mutual funds.

10. COMPARATIVE FIGURES

The prior year comparative figures were not audited. Some of the prior year comparative figures have been reclassified to conform to the current year's presentation.

ROYAL CANADIAN LEGION CALGARY BRANCHES POPPY FUND

Campaign

(Schedule 1)

Year Ended September 30, 2017

	2017	2016
REVENUE		
Campaign donations and wreath sales	\$ 2,222,997	\$ 2,221,253
CAMPAIGN EXPENSES		
Supplies and other	202,084	209,422
Postage and printing	24,416	76,428
Advertising and promotion	1,336	18,046
	<u>227,836</u>	<u>303,896</u>
NET REVENUE	<u>1,995,161</u>	<u>1,917,357</u>
OPERATING EXPENSES		
Major assistance	226,731	496,407
Wages and benefits	156,459	121,779
Bursaries (Note 5)	155,500	545,195
Calgary Health Trust - parking passes (Note 5)	88,002	87,554
Accounting	61,787	8,818
Office rent	34,795	16,776
Amortization	22,656	24,787
Donation expense (Note 5)	20,897	445,525
Office expenses	17,725	18,538
Service charges	7,909	4,554
Repairs and maintenance	7,207	13,126
Office supplies	6,559	13,953
Computer	6,178	1,213
Courier and delivery	4,453	1,173
Utilities	3,989	3,799
Telephone	3,765	2,447
Gas vouchers	3,145	3,088
Meals On Wheels	2,986	4,048
Fax & internet	396	1,164
Minor assistance	354	935
Sick and visiting	156	156
Command donation (Note 5)	-	500,000
Storage	-	48,099
Branch donations (Note 5)	-	6,000
Postage	-	2,000
Cellular	-	139
	<u>831,649</u>	<u>2,371,273</u>
INCOME (LOSS) FROM CAMPAIGN	<u>\$ 1,163,512</u>	<u>\$ (453,916)</u>

See notes to financial statements

ROYAL CANADIAN LEGION CALGARY BRANCHES POPPY FUND

Veteran's Food Bank

(Schedule 2)

Year Ended September 30, 2017

	2017	2016
REVENUE		
Food donations	\$ 614,241	\$ 391,031
Cash donations	754,779	335,169
Donations of food vouchers and gift cards	20,560	103,707
	<u>1,389,580</u>	<u>829,907</u>
OPERATING EXPENSES		
Food vouchers and hampers	713,095	1,002,176
Wages	188,535	138,595
Office rent	45,237	24,474
Accounting	22,175	2,939
Miscellaneous	13,570	15,705
Vehicle Amortization	11,593	16,561
Automotive	8,688	2,162
Courier and delivery	8,093	18,701
Office expenses	7,707	4,649
Utilities	5,756	5,414
Insurance	4,933	4,631
Telephone	3,465	2,447
Volunteer lunches	1,366	5,126
Fax and internet	196	1,164
Cellular	-	169
	<u>1,034,409</u>	<u>1,244,913</u>
INCOME (LOSS) FROM VETERAN'S FOOD BANK	\$ 355,171	\$ (415,006)

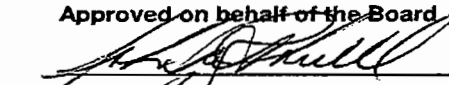
ROYAL CANADIAN LEGION CALGARY BRANCHES POPPY FUND**Investment Income and Expenses***(Schedule 3)***Year Ended September 30, 2017**

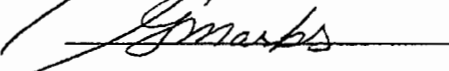
	2017	2016
REVENUE		
Interest	\$ 47,079	\$ 66,285
Realized gain on investments	11,452	31,858
Unrealized (loss) gain on investments	<u>(10,189)</u>	40,199
	48,342	138,342
EXPENSES		
Investment management expenses	<u>8,498</u>	12,871
INCOME FROM INVESTMENTS	<u>\$ 39,844</u>	<u>\$ 125,471</u>

ROYAL CANADIAN LEGION CALGARY BRANCHES POPPY FUND
Statement of Financial Position
September 30, 2017

	2017	2016
ASSETS		
CURRENT		
Cash	\$ 1,531,935	\$ 308,080
Short term investments (Note 3)	1,055,114	1,210,585
Accounts receivable	2,477	1,657
Inventory	463,037	112,497
Goods and services tax recoverable	13,487	27,239
Prepaid expenses	29,546	15,809
Deferred expenses	16,200	73,492
	<u>3,111,796</u>	<u>1,749,359</u>
PROPERTY AND EQUIPMENT (Note 4)	<u>122,977</u>	<u>148,090</u>
	<u>\$ 3,234,773</u>	<u>\$ 1,897,449</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 350	\$ 95,189
Deferred income	24,412	63,415
	<u>24,762</u>	<u>158,604</u>
NET ASSETS		
General fund	<u>3,210,011</u>	<u>1,738,845</u>
	<u>\$ 3,234,773</u>	<u>\$ 1,897,449</u>

Approved on behalf of the Board


 _____ General Manager


 _____ Treasurer

See notes to financial statements