

The Royal Canadian Legion - Dominion Command

Financial Statements
December 31, 2019



Independent auditor's report

To the Members of The Royal Canadian Legion - Dominion Command

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Royal Canadian Legion - Dominion Command (the Dominion Command) as at December 31, 2019 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.

What we have audited

The Dominion Command's financial statements comprise:

- the statement of financial position as at December 31, 2019;
 - the statement of changes in fund balances for the year then ended;
 - the statement of operations – general fund for the year then ended;
 - the statement of operations – externally restricted funds for the year then ended;
 - the statement of cash flows for the year then ended; and
 - the notes to the financial statements, which include a summary of significant accounting policies.
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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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Dominion Command in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 Dominion Command'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 Dominion Command or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Dominion Command'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 Dominion Command'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 Dominion Command’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 Dominion Command 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.

(signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
May 25, 2020

The Royal Canadian Legion - Dominion Command

Statement of Financial Position

As at December 31, 2019

	2019 \$	2018 \$
Assets		
Current assets		
Cash and cash equivalents	2,739,831	1,923,007
Accounts receivable (note 3)	1,996,129	2,432,695
Due from The Legion National Foundation (note 8)	203,995	32,625
Inventory		
General	1,362,511	1,289,266
Poppy promotional material	169,208	197,703
Prepaid expense	241,430	153,862
Prepaid subscriptions	1,353,469	1,305,195
	<u>8,066,573</u>	<u>7,334,353</u>
Marketable investments (note 4)	28,990,789	28,635,638
Capital assets (note 5)	4,955,447	5,126,213
Pension plan – accrued benefit asset (note 6)	1,889,900	183,600
	<u>43,902,709</u>	<u>41,279,804</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	2,090,640	2,296,544
Per capita tax received in advance	3,237,282	3,140,673
Due to Canvet Publications Ltd. (note 8)	632,432	1,643,383
	<u>5,960,354</u>	<u>7,080,600</u>
Retirement obligation (note 6)	475,600	517,800
	<u>6,435,954</u>	<u>7,598,400</u>
Fund Balances		
General Fund		
Unrestricted	3,375,110	3,226,628
Invested in capital assets (note 5)	4,955,447	5,126,213
Other internally restricted (note 9)	3,448,712	3,270,691
Pension Plan Fund (note 6)	1,889,900	183,600
Investment Fund (note 4)	10,486,042	9,287,432
	<u>24,155,211</u>	<u>21,094,564</u>
Externally Restricted Funds	<u>13,311,544</u>	<u>12,586,840</u>
	<u>37,466,755</u>	<u>33,681,404</u>
	<u>43,902,709</u>	<u>41,279,804</u>
Commitments and contingencies (note 10)		

Signed on behalf of the Dominion Executive Council

 President

 Treasurer

The accompanying notes are an integral part of these financial statements.

The Royal Canadian Legion - Dominion Command

Statement of Changes in Fund Balances

For the year ended December 31, 2019

	Balance – Beginning of year \$	Net revenue (expense) for the year \$	Remeasurements and other items \$	Transfers from (to) \$	Balance – End of year \$
General Fund					
Unrestricted	3,226,628	(392,036)	(14,900)	555,418	3,375,110
Invested in capital assets (note 5)	5,126,213	(203,286)	-	32,520	4,955,447
	8,352,841	(595,322)	(14,900)	587,938	8,330,557
Internally Restricted Funds					
Other internally restricted (note 9)	3,270,691	-	-	178,021	3,448,712
Pension Plan Fund (note 6)	183,600	(316,170)	1,703,100	319,370	1,889,900
Investment Fund (note 4)	9,287,432	1,294,894	-	(96,284)	10,486,042
	21,094,564	383,402	1,688,200	989,045	24,155,211
Externally Restricted Funds					
Poppy Trust Fund	9,373,607	1,497,392	-	(989,045)	9,881,954
Centennial Fund	2,103,440	206,665	-	-	2,310,105
RCEL Fund	1,019,136	9,692	-	-	1,028,828
Benevolent Fund	90,657	-	-	-	90,657
Total Externally Restricted Funds	12,586,840	1,713,749	-	(989,045)	13,311,544
	33,681,404	2,097,151	1,688,200	-	37,466,755

The accompanying notes are an integral part of these financial statements.

The Royal Canadian Legion - Dominion Command

Statement of Operations – General Fund

For the year ended December 31, 2019

	2019 \$	2018 \$
Revenue		
Administrative fees (note 8)	110,000	110,000
Building rental (note 8)	82,920	82,920
Dividends	122,557	117,606
Interest	424,172	477,340
MasterCard royalties	88,772	70,385
Miscellaneous (note 8)	140,156	129,967
Per capita tax (note 10)	5,415,647	5,966,520
Royalties – Legion Lager	16,529	22,890
Subscription agency fee (note 8)	400,000	400,000
Supply sales	2,548,164	2,362,183
Veterans Visitation Program	137,160	141,960
	<hr/> 9,486,077	<hr/> 9,881,771
Expense		
Corporate services	697,028	713,388
Building	338,246	463,122
Committees	742,142	973,376
Marketing – Hearts and Minds	136,108	412,326
Marketing, advertising and promotion	553,611	528,122
Financial services	516,360	585,012
Information technology	375,736	355,264
Legion Magazine – Subscriptions (note 8)	2,648,217	3,158,230
Marketing and communications	379,731	306,888
Member services	623,570	555,691
Other program expenses	187,853	310,008
Veterans services	900,811	941,824
Veterans Visitation Program	93,451	103,633
Supply chain management		
Operation	576,190	760,593
Cost of sales	1,109,059	1,046,605
Amortization		
Furniture and equipment and computers	57,250	62,391
Building	146,036	146,036
	<hr/> 10,081,399	<hr/> 11,422,509
Net expense for the year	<hr/> (595,322)	<hr/> (1,540,738)

The accompanying notes are an integral part of these financial statements.

The Royal Canadian Legion - Dominion Command

Statement of Operations – Externally Restricted Funds

For the year ended December 31, 2019

				2019	2018
	Poppy Trust Fund \$	Centennial Fund \$	RCEL Fund \$	Total \$	Total \$
Revenue					
Donations	304,919	-	188,276	493,195	587,086
Interest	225,703	62,300	25,947	313,950	313,460
Dividends	40,963	14,051	4,417	59,431	54,476
Poppies and wreaths	3,088,323	-	-	3,088,323	2,786,053
Promotional aids	561,942	-	-	561,942	536,515
Grants – Other (internal)	5,000	-	-	5,000	-
Bells of Peace – VAC Grant	-	-	-	-	30,000
Sales	12,153	-	-	12,153	-
Bells of Peace – Sales	-	-	-	-	45,505
Other	15,925	-	-	15,925	23,056
	4,254,928	76,351	218,640	4,549,919	4,376,151
Expense					
Advertising and promotional materials	44,866	-	-	44,866	40,864
Poppy contests	19,261	-	-	19,261	18,688
Poppies and wreaths	1,272,770	-	-	1,272,770	1,315,020
Promotional aids	465,488	-	-	465,488	259,763
Trademark defence	67,526	-	-	67,526	57,609
Freight	326,931	-	-	326,931	282,074
General	86,183	12,558	4,753	103,494	83,402
Support – Supply department	279,376	-	-	279,376	274,482
Support – Administration department	154,143	-	-	154,143	148,700
Operation Santa Claus and Canada Day	87,468	-	-	87,468	80,589
Caribbean liaison	14,595	-	-	14,595	561
Remembrance ceremony and videos	17,264	-	-	17,264	44,580
National Remembrance Ceremony	19,789	-	-	19,789	23,368
Marketing and promotion	68,444	-	-	68,444	79,918
Bursaries	-	-	-	-	2,000
Bells of Peace	39,099	-	-	39,099	46,403
Grants – Queen's Scholarships	20,000	-	-	20,000	20,000
Grants – Other	10,000	-	-	10,000	5,000
Benevolent support and assistance	262,813	-	257,862	520,675	384,006
Total expense	3,256,016	12,558	262,615	3,531,189	3,167,027

The accompanying notes are an integral part of these financial statements.

The Royal Canadian Legion - Dominion Command

Statement of Operations – Externally Restricted Funds ...continued

For the year ended December 31, 2019

				2019	2018
	Poppy Trust Fund \$	Centennial Fund \$	RCEL Fund \$	Total \$	Total \$
Revenue before the undernoted	998,912	63,793	(43,975)	1,018,730	1,209,124
Net changes in fair value of marketable investments					
Realized	(13,731)	(983)	(3,784)	(18,498)	(38,105)
Unrealized	512,211	143,855	57,451	713,517	(555,486)
	498,480	142,872	53,667	695,019	(593,591)
Net revenue for the year	1,497,392	206,665	9,692	1,713,749	615,533

The accompanying notes are an integral part of these financial statements.

The Royal Canadian Legion - Dominion Command

Statement of Cash Flows

For the year ended December 31, 2019

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Net (expense) revenue for the year		
General Fund	(595,322)	(1,540,738)
Pension Plan Fund	(316,170)	(238,224)
Investment Fund	1,294,894	(1,186,348)
Externally Restricted Funds	1,713,749	615,533
Items not affecting cash		
Provision for pension plan	316,170	238,224
Provision for retirement obligation	61,000	60,520
Amortization	203,286	208,427
Realized losses on sales of marketable investments	11,415	85,823
Unrealized losses (gains) on marketable investments	(2,001,328)	1,695,960
Contributions to pension plan	(319,370)	(322,524)
Cash paid for retirement obligation	(118,100)	(25,220)
Net change in non-cash working capital items ¹	(1,035,642)	(1,243,798)
	<u>(785,418)</u>	<u>(1,652,365)</u>
Investing activities		
Proceeds on sales of marketable investments	6,060,465	5,682,416
Purchase of marketable investments	(4,425,703)	(6,535,843)
Purchase of capital assets	(32,520)	(55,531)
	<u>1,602,242</u>	<u>(908,958)</u>
Net change in cash and cash equivalents for the year	<u>816,824</u>	<u>(2,561,323)</u>
Cash and cash equivalents – Beginning of year	<u>1,923,007</u>	<u>4,484,330</u>
Cash and cash equivalents – End of year	<u>2,739,831</u>	<u>1,923,007</u>
¹ Net change in non-cash working capital items		
Accounts receivable	436,566	(488,845)
Due from The Legion National Foundation	(171,370)	(30,987)
Inventory		
General	(73,245)	(5,498)
Poppy promotional material	28,495	(66,252)
Prepaid expense	(87,568)	27,320
Prepaid subscriptions	(48,274)	108,927
Accounts payable and accrued liabilities	(205,904)	550,764
Per capita tax received in advance	96,609	(238,764)
Due to Canvet Publications Ltd.	(1,010,951)	(1,100,463)
	<u>(1,035,642)</u>	<u>(1,243,798)</u>

The accompanying notes are an integral part of these financial statements.

The Royal Canadian Legion - Dominion Command

Notes to Financial Statements

December 31, 2019

1 Purpose of the organization

The Canadian Legion was incorporated in 1926 under the *Companies Act*, and its name was amended to The Royal Canadian Legion in 1961 by an Act of Parliament. The Royal Canadian Legion - Dominion Command (“the Dominion Command”) is a not-for-profit organization under subsection 149(1)(l) of the *Income Tax Act* and as such is exempt from income taxes.

2 Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian Accounting Standards for not-for-profit organizations (“ASNPO”). The significant accounting policies are as follows:

Use of estimates

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expense during the reporting periods. Actual results could differ from these estimates.

Fund accounting

General Funds are accounted for as follows:

Unrestricted

All transactions other than externally restricted or designation by management in an other general funds are recorded in the unrestricted fund. The management makes discretionary transfers between different general funds.

Invested in capital assets

The invested in capital assets is comprised of capital assets less accumulated depreciation and outstanding balances of mortgages or other borrowings attributable to the acquisition, construction, or improvement of those assets.

Other internally restricted

The Fund has been created to set aside reserves utilisation as and when needed. The Dominion Council makes discretionary transfers to and from the internally restricted Fund as and when needed.

Pension Fund

Pension contributions and the actuarially determined pension expense are accounted for in the Pension Plan Fund.

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Notes to Financial Statements

December 31, 2019

Investment Fund

Interest and dividends earned on marketable investments are accounted for in the General Fund or in the Externally Restricted Fund to which they relate. Realized and unrealized gains and losses on marketable investments held in the General Fund are accounted for in the Investment Fund. The Investment Fund was established January 1, 1998 by transferring all investments held at that time.

Externally Restricted Funds are accounted for as follows:

Poppy Trust Fund

The Royal Canadian Legion - Dominion Command Poppy Trust Fund ("Poppy Trust Fund") accounts for the sale of poppies and wreaths and poppy promotional material to the Provincial Commands and local branches. The funds raised are used to assist Canadian ex-service personnel and their dependants and ex-service personnel of Commonwealth and allied countries living in Canada in necessitous circumstances; to pay operating expenses of Dominion Command Veteran Services where required; and to provide a grant to the RCEL Fund to support veterans in the Caribbean.

Centennial, RCEL and Benevolent Funds ("Special Funds")

Special Funds are accumulated to finance special activities, including a youth track and field camp and grants to Commonwealth veterans in the Caribbean.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less.

Inventories

Inventories are carried at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

Marketable investments

Marketable investments are recorded at fair value in the statement of financial position and changes in fair value are included in net revenue (expense) for the year of the Investment Fund or appropriate Externally Restricted Fund.

Capital assets and amortization

Capital assets are carried at cost less accumulated amortization.

The Royal Canadian Legion - Dominion Command

Notes to Financial Statements

December 31, 2019

Capital assets are amortized on a straight-line basis, over their estimated useful service lives, at the following annual rates:

Building	2.5%
Furniture and equipment	10.0%
Computers	10.0%

Employee future benefits

The Royal Canadian Legion - Dominion Command Pension Plan is a multi-employer, contributory, defined benefit pension plan that covers all employees of the Dominion Command, The Royal Canadian Legion - New Brunswick Command and Canvet Publications Ltd. The annual pension payable is based on final average earnings and years of credited service.

In addition to the pension plan, the Dominion Command provides a defined benefit retirement allowance for its employees who have a minimum number of years of service and have attained a minimum age.

Under the immediate recognition approach, the total cost, excluding remeasurements and other items, is included in net revenue or expense of the appropriate fund. Actuarial gains and losses, past service costs and other remeasurements and other items are recognized directly in fund balances.

The defined benefit obligation related to the pension plan is measured based on the most recent actuarial valuation report prepared for funding purposes. The retirement obligation is measured based on an actuarial valuation report prepared specifically for accounting purposes.

Revenue recognition

Externally restricted contributions are recognized as revenue of the appropriate Externally Restricted Fund. Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Per capita tax is recorded as revenue in the year it is received unless it relates to a future year, in which case it is deferred and recorded as revenue in the year to which it relates.

Allocated expenses

A portion of Information Technology expenses (system maintenance, programming, computer parts and internet connectivity) is allocated to Corporate services, Financial services, Marketing and communications, Member services, Veterans services and Supply chain management – Operation expenses in the General Fund in order to reflect support and management oversight provided to those areas. These expenses are allocated based on estimates of time spent by the relevant information technology personnel on those areas during the year.

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Notes to Financial Statements

December 31, 2019

A portion of Corporate services expenses (salaries and general office) is allocated to Marketing and communications, Member services, Financial services and Veterans services expenses in the General Fund, and to Support – department administration expense in the Poppy Trust Fund, in order to reflect support and management oversight provided to those areas. These expenses are allocated based on estimates of time spent by the relevant administrative personnel on those areas during the year.

A portion of Supply chain management – Operation expenses (salaries and general warehouse) is allocated to Support – Supply department expense of the Poppy Trust Fund in order to reflect warehouse storage costs, shipping and handling for the Poppy Trust Fund inventory, and processing of sales. General warehouse costs are allocated based on \$7 per square foot of the total warehouse space dedicated to Poppy Trust Fund inventory. The remaining expenses are allocated based on estimates of time spent by the relevant personnel during the year.

3 Accounts receivable

	2019 \$	2018 \$
Commands, branches and members		
General	548,618	916,488
Poppy Trust Fund	1,017,753	1,025,615
Other		
General	68,333	101,006
Poppy Trust Fund	332,163	357,871
Accrued interest	29,262	31,715
	1,996,129	2,432,695

4 Marketable investments

	2019		2018	
	Fair value \$	Cost \$	Fair value \$	Cost \$
General Fund	18,231,328	17,136,823	18,717,614	18,910,919
Poppy Trust Fund	7,749,591	7,426,563	7,120,052	7,309,235
Centennial Fund	2,179,935	2,092,953	2,030,406	2,087,279
RCEL Fund	829,935	800,050	767,566	795,132
	28,990,789	27,456,389	28,635,638	29,102,565

Net gains on sales of marketable investments of \$7,083, (2018 – net loss of \$45,874) and net increases in unrealized gains and losses of \$1,287,811, (2018 – net decreases of \$1,140,474) relate to the general investment portfolio and are accounted for in the Investment Fund.

Net gains on sales of marketable investments of \$18,498, (2018 – net loss of \$38,105) and net increases in unrealized gains and losses of \$713,517, (2018 – net decreases of \$555,486) relate to the externally restricted fund investment portfolio and are accounted for in the externally restricted Fund.

The Royal Canadian Legion - Dominion Command

Notes to Financial Statements

December 31, 2019

Marketable investments are comprised of:

	2019		2018	
	Fair value \$	Cost \$	Fair value \$	Cost \$
Government and government guaranteed bonds	3,251,753	3,283,240	3,040,635	3,092,984
Corporate bonds and pooled bond funds	14,150,073	14,284,571	14,766,710	15,378,231
Corporate stocks and pooled equity funds	11,588,963	9,888,578	10,828,293	10,631,350
	<u>28,990,789</u>	<u>27,456,389</u>	<u>28,635,638</u>	<u>29,102,565</u>

Government and government guaranteed bonds bear interest at fixed rates ranging from 1.5% to 3.75% and mature between 2020 and 2026 (2018 – 1.75% to 3.75% and mature between 2018 and 2025).

Corporate bonds bear interest at fixed rates ranging from 1.7% to 3.5% and mature between 2020 and 2026 (2018 – 1.9% to 3.5% and mature between 2019 and 2025). The pooled bond funds invest in high quality, short and long-term government securities and corporate bonds, bearing interest at fixed rates.

The Dominion Command invests, directly and through pooled equity funds, in companies in various industries, including energy, materials, industrials, consumer discretionary, consumer staples, financial institutions, telecommunication services and utilities.

5 Capital assets

	2019		2018	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	950,220	-	950,220	950,220
Building	5,841,416	1,934,977	3,906,439	4,052,475
Furniture and equipment	151,244	133,289	17,955	18,840
Computers	254,644	173,811	80,833	104,678
	<u>7,197,524</u>	<u>2,242,077</u>	<u>4,955,447</u>	<u>5,126,213</u>

Cost and accumulated amortization amounted to \$7,212,567 and \$2,086,354, respectively, at December 31, 2018.

6 Employee future benefits

Extrapolations of actuarial valuation reports prepared as at December 31, 2019 and January 1, 2017 (2018 – December 31, 2018 and January 1, 2017), for the retirement obligations and the overall defined benefit plan, respectively, indicated the following:

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Notes to Financial Statements

December 31, 2019

	<u>2019</u>		<u>2018</u>	
	Retirement obligation \$	Pension plan \$	Retirement obligation \$	Pension plan \$
Fair value of plan assets	-	20,677,300	-	17,565,500
Defined benefit obligation	(475,600)	(18,787,400)	(517,800)	(17,381,900)
Pension asset (retirement obligation)	(475,600)	1,889,900	(517,800)	183,600

7 Government remittances

Government remittances (GST/HST payable) of \$59,205 (2018 – \$61,136) are included in accounts payable and accrued liabilities.

During 2017, the Dominion Command filed a submission under the Voluntary Disclosures Program with the Canada Revenue Agency (note 10).

8 Related party transaction and balances

Canvet Publications Ltd. (“Canvet”)

Canvet is an entity incorporated under the *Canada Business Corporations Act*. Canvet publishes and distributes “Legion Magazine”, which is sold to the membership of the Royal Canadian Legion, non-member subscribers and the general public. The Dominion Command and Canvet are entities under common control based on the majority of the Board of Directors and shareholders of Canvet being in common with the members of the Dominion Command’s Council.

The following transactions with Canvet are included in expenses of the General Fund:

	2019 \$	2018 \$
Legion Magazine – Subscriptions current year	2,534,507	2,498,360
Advertising	67,720	56,286
Design services	14,014	15,554
Subscription buyback - prior years		379,837
Special issue publications	1,055	1,054

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Notes to Financial Statements

December 31, 2019

The following transactions with Canvet are included in revenues of the General Fund:

	2019 \$	2018 \$
Administrative fees	110,000	110,000
Building rental	68,640	68,640
Miscellaneous – Network support charge (included in miscellaneous revenue)	5,000	5,000
Subscription agency fee	400,000	400,000

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

The Legion National Foundation

The Legion National Foundation (“the Foundation”) is a registered charity, federally incorporated on April 8, 2016. The Foundation received charitable status on September 11, 2017. The Foundation’s purpose is to raise funds for programs of remembrance, and to provide scholarships, bursaries and assistance for the veterans’ community.

A member of Dominion Command serves as a director on the Foundation’s Board of Director resulting in Dominion Command’s participation in devising strategic policies of the Foundation.

Balances with the Foundation are non-interest bearing and have no specified terms of repayment.

9 Internally restricted fund balance

The Dominion Command internally restricts a portion of its General Fund balance for other expenses that will be incurred in the future.

	2019 \$	2018 \$
Building	300,053	300,053
RCEL conference	34,300	29,300
Convention	200,000	-
Special purpose	-	26,979
Per capita tax	2,914,359	2,914,359
	<u>3,448,712</u>	<u>3,270,691</u>

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10 Commitments and contingencies

The Dominion Command is committed to the following payments for equipment, poppies and related remembrance materials under various agreements as follows:

	\$
Year ending December 31, 2020	949,683
2021	939,896
2022	940,791
2023	940,791
2024	32,010
thereafter	32,010

In 2017, the Dominion Command filed a submission under the Voluntary Disclosures Program with the Canada Revenue Agency. Further, discussions with the Canada Revenue Agency regarding HST on per capita tax revenue, whether it applied, and to which prior years, if any, are not expected to occur until later in 2020. An exposure exists in excess of estimates accrued to date. It is possible that these estimates could change by a material amount and any such changes will be reflected in the periods in which they become known.

11 Allocation of expenses

A portion of Information Technology expenses (system maintenance, programming, computer parts and internet connectivity) has been allocated in the General Fund as follows:

	2019 \$	2018 \$
Corporate services	3,500	3,500
Financial services	7,500	7,500
Marketing and communications	2,500	2,500
Member services	7,500	7,500
Veteran services	4,500	4,500
Supply chain management – Operation	7,000	7,000

A portion of Corporate services expenses (salaries and general office) has been allocated as follows:

	2019 \$	2018 \$
General Fund – Marketing and communications	15,000	15,000
General Fund – Member services	15,000	15,000
General Fund – Veterans services	30,000	30,000
Poppy Trust Fund – Support Administration department	150,000	148,700

A portion of Supply chain management – Operation expenses (salaries and general warehouse) of \$278,600 (2018 – \$274,482) has been allocated to Support – Administration department expense of the Poppy Trust Fund.

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12 Financial instruments

Dominion Command is exposed to various risks through its financial instruments. The following analysis provides a measure of Dominion Command's risk exposure and concentrations. Dominion Command does not use derivative financial instruments to manage its risks

Investment risk

Investment in financial instruments renders Dominion Command subject to investment risks. Interest risk is the risk arising from fluctuations in interest rates and their degree of volatility. Dominion Command's exposure to interest rate risk arises from its investments in bonds (note 4).

There is also the risk arising from the failure of a party to a financial instrument to discharge an obligation when it is due. Market risk is the risk to the value of a financial instrument due to fluctuations in market prices, whether these fluctuations are caused by factors specific to the investment itself or to its issuer, or by factors pertinent to all investments on the market. Dominion Command's is exposed to market risk through their corporate stocks and pooled equity and bond fund investments (note 4).

Concentration of risk

Concentration of risk exists when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political and other conditions. Dominion Command's investments are described in note 4.

Credit risk

Dominion Command's credit risk arises on cash and cash equivalents, accounts receivable, due from the Foundation, and marketable investments. Dominion Command's cash and cash equivalents and investments are maintained at major financial institutions; therefore, the Company considers the risk of non-performance of these instruments to be remote.

To manage the credit risk on accounts receivables, Dominion Command assesses the credit risk of new customers before extending credit and ongoing customers periodically. The allowance for doubtful accounts recognized by Dominion Command on trade receivable is insignificant. Accounts receivables are generally due within 30 to 90 days. No accounts receivables mature beyond one year.

Currency risk

Currency risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises when financial assets or financial liabilities are denominated in a currency other than Canadian dollars. Dominion Command is exposed to currency risk on marketable investments.

At December 31, 2019, 22% (2018 – 23%) of marketable investments are denominated in U.S. dollars.

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13 Subsequent event

Subsequent to year-end, the Dominion Command is assessing the impact of the COVID-19 pandemic on its operations. Given the unprecedented nature of this event, it is difficult to predict the length or breadth of any earnings disruption on operations.