

The Royal Canadian Legion - Dominion Command

Financial Statements
December 31, 2017



May 29, 2018

Independent Auditor's Report

To the Members of The Royal Canadian Legion - Dominion Command

We have audited the accompanying financial statements of The Royal Canadian Legion - Dominion Command, which comprise the statement of financial position as at December 31, 2017 and the statements of changes in fund balances, operations - general fund, operations - externally restricted funds and cash flows for the year then ended, and the related notes, which comprise 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 audit opinion.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Royal Canadian Legion - Dominion Command as at December 31, 2017 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.

(Signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants, Licensed Public Accountants


The Royal Canadian Legion - Dominion Command


Statement of Financial Position

As at December 31, 2017

	2017 \$	2016 \$
Assets		
Current assets		
Cash and cash equivalents	4,484,330	4,125,802
Accounts receivable (note 3)	1,943,850	1,602,711
Due from The Legion National Foundation (note 8)	1,638	-
Inventories		
General	1,283,768	1,312,447
Poppy promotional material	131,451	146,103
Prepaid expense	181,182	161,471
Prepaid subscriptions	1,414,122	1,127,051
	<u>9,440,341</u>	<u>8,475,585</u>
Marketable investments (note 4)	29,563,994	28,812,554
Capital assets (note 5)	5,279,109	5,440,790
Pension asset (note 6)	<u>1,728,300</u>	<u>1,940,500</u>
	<u>46,011,744</u>	<u>44,669,429</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	1,745,780	1,287,644
Per capita tax received in advance	3,379,437	2,439,943
Due to Canvet Publications Ltd. (note 8)	<u>2,743,846</u>	<u>103,562</u>
	7,869,063	3,831,149
Retirement obligation (note 6)	<u>535,400</u>	<u>515,400</u>
	<u>8,404,463</u>	<u>4,346,549</u>
Fund Balances		
General Fund		
Unrestricted	3,658,210	5,521,470
Invested in capital assets (note 5)	5,279,109	5,440,790
Other internally restricted (note 9)	3,465,691	3,230,691
Legion Magazine Fund	-	1,445,000
Pension Plan Fund	1,728,300	1,940,500
Investment Fund	10,570,064	10,156,929
Externally Restricted Funds	<u>12,905,907</u>	<u>12,587,500</u>
	<u>37,607,281</u>	<u>40,322,880</u>
	<u>46,011,744</u>	<u>44,669,429</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, 2017

	Balance - Beginning of year \$	Net revenue (expense) for the year \$	Remeasurements and other items \$	Transfers from (to) \$	Balance - End of year \$
General Fund					
Unrestricted	5,521,470	(840,190)	14,700	(1,037,770)	3,658,210
Invested in capital assets (note 5)	5,440,790	(205,274)	-	43,593	5,279,109
Other internally restricted (note 9)	3,230,691	-	-	235,000	3,465,691
	14,192,951	(1,045,464)	14,700	(759,177)	12,403,010
Legion Magazine Fund (note 8)	1,445,000	(2,734,330)	-	1,289,330	-
Pension Plan Fund (note 6)	1,940,500	(266,059)	(283,900)	337,759	1,728,300
Investment Fund (note 4)	10,156,929	509,419	-	(96,284)	10,570,064
	27,735,380	(3,536,434)	(269,200)	771,628	24,701,374
Externally Restricted Funds					
Poppy Trust Fund	9,537,166	920,973	-	(771,628)	9,686,511
Centennial Fund	2,052,964	115,718	-	-	2,168,682
RCEL Fund	906,814	53,243	-	-	960,057
Benevolent Fund	90,556	101	-	-	90,657
Total Externally Restricted Funds	12,587,500	1,090,035	-	(771,628)	12,905,907
	40,322,880	(2,446,399)	(269,200)	-	37,607,281

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, 2017

	2017 \$	2016 \$
Revenue		
Administrative fees (note 8)	110,000	110,000
Building rental (note 8)	82,920	82,920
Dividends	142,035	144,244
Estate bequests	4,443	87,099
Interest	448,077	347,527
MasterCard royalties	85,112	65,188
Miscellaneous	197,864	82,481
Per capita tax (note 10)	5,323,846	5,710,008
Subscription agency fee (note 8)	400,000	400,000
Supply sales	2,693,279	2,293,129
Veterans Visitation Program	193,080	-
	<u>9,680,656</u>	<u>9,322,596</u>
Expense		
Corporate services	725,600	639,307
Building	313,263	305,787
Committees	710,310	857,735
Marketing - Hearts and Minds	400,000	-
Marketing, advertising and promotion	425,547	457,705
Financial services	574,654	482,901
Information technology	340,915	320,937
Legion Magazine - Subscriptions (note 8)	2,756,273	2,831,045
Marketing and communications	434,625	311,824
Member services	784,976	941,699
Other program expenses	211,874	221,276
Veterans services	829,678	753,928
Veterans Visitation Program	137,472	-
Supply chain management		
Operation	543,573	645,484
Cost of sales	1,332,086	1,003,654
Amortization		
Furniture and equipment and computers	59,238	60,045
Building	146,036	146,036
	<u>10,726,120</u>	<u>9,979,363</u>
Net expense for the year	<u>(1,045,464)</u>	<u>(656,767)</u>

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, 2017

	2017				2016	
	Poppy Trust Fund \$	Centennial Fund \$	RCEL Fund \$	Benevolent Fund \$	Total \$	Total \$
Revenue						
Donations	189,673	-	334,764	-	524,437	531,929
Interest	192,555	54,163	3,211	101	250,030	195,784
Dividends	37,707	14,670	-	-	52,377	56,700
Poppies and wreaths	3,028,277	-	-	-	3,028,277	3,166,844
Promotional aids	467,550	-	-	-	467,550	464,999
Other	35,838	-	-	-	35,838	12,440
	3,951,600	68,833	337,975	101	4,358,509	4,428,696
Expense						
Advertising and promotional materials	40,712	-	-	-	40,712	39,033
Poppy contests	22,220	-	-	-	22,220	24,112
Poppies and wreaths	1,405,782	-	-	-	1,405,782	1,507,647
Promotional aids	239,559	-	-	-	239,559	234,593
Trademark defence	50,773	-	-	-	50,773	37,311
Freight	234,944	-	-	-	234,944	223,585
General	57,368	18,760	-	-	76,128	76,306
Support - Supply department	269,100	-	-	-	269,100	263,800
Support - Administration department	148,700	-	-	-	148,700	145,800
Operation Santa Clause and Canada Day	56,012	-	-	-	56,012	-
Caribbean liaison	18,747	-	-	-	18,747	604
Remembrance ceremony and videos	18,921	-	-	-	18,921	23,730
National Remembrance Ceremony	12,896	-	-	-	12,896	27,684
Bursaries	2,000	-	-	-	2,000	2,000
Grant - Fort McMurray fire	-	-	-	-	-	100,000
Grant - Invictus Games	500,000	-	-	-	500,000	-
Grants - Queen's Scholarships	30,000	-	-	-	30,000	60,000
Benevolent support and assistance	80,728	-	284,732	-	365,460	371,882
	3,188,462	18,760	284,732	-	3,491,954	3,138,087

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, 2017

	2017				2016	
	Poppy Trust Fund \$	Centennial Fund \$	RCEL Fund \$	Benevolent Fund \$	Total \$	Total \$
Revenue before the undernoted	763,138	50,073	53,243	101	866,555	1,290,609
Net changes in fair value of marketable investments						
Realized	28,348	29,862	-	-	58,210	35,932
Unrealized	129,487	35,783	-	-	165,270	333,059
	157,835	65,645	-	-	223,480	368,991
Net revenue for the year	920,973	115,718	53,243	101	1,090,035	1,659,600

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, 2017

	2017 \$	2016 \$
Cash provided by (used in)		
Operating activities		
Net revenue (expense) for the year		
General Fund	(1,045,464)	(656,767)
Legion Magazine Fund	(2,734,330)	-
Pension Plan Fund	(266,059)	(184,435)
Investment Fund	509,419	958,044
Externally Restricted Funds	1,090,035	1,659,600
Items not affecting cash		
Provision for pension plan	266,059	184,435
Provision for retirement obligation	62,244	64,800
Amortization	205,274	206,081
Realized gains on sales of marketable investments	(255,920)	(222,736)
Unrealized gains on marketable investments	(476,969)	(1,104,795)
Contributions to pension plan	(337,759)	(303,235)
Cash paid for retirement obligation	(27,544)	-
Net change in non-cash working capital items	3,431,686	850,233
	420,672	1,451,225
Investing activities		
Proceeds on sale of marketable investments	6,018,630	8,162,692
Purchase of marketable investments	(6,037,171)	(10,460,529)
Purchase of capital assets	(43,593)	(111,545)
	(62,134)	(2,409,382)
Net change in cash and cash equivalents for the year	358,528	(958,157)
Cash and cash equivalents - Beginning of year	4,125,802	5,083,959
Cash and cash equivalents - End of year	4,484,330	4,125,802
Net change in non-cash working capital items		
Accounts receivable	(341,139)	685,178
Inventory		
General	28,679	120,906
Poppy promotional material	14,652	(976)
Prepaid expense	(19,711)	25,008
Prepaid subscriptions	(287,071)	207,586
Due from The Legion National Foundation	(1,638)	-
Accounts payable and accrued liabilities	458,136	17,297
Per capita tax received in advance	939,494	(293,230)
Due to Canvet Publications Ltd.	2,640,284	88,464
	3,421,686	850,233

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

The Royal Canadian Legion - Dominion Command

Notes to Financial Statements

December 31, 2017

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

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

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

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Notes to Financial Statements

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Cash equivalents

Investments with maturities at the date of acquisition of three months or less are considered cash equivalents as they are short-term, highly liquid investments that are not subject to significant changes in value.

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 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.

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 multiemployer, 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.

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Notes to Financial Statements

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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, Veteran 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.

A portion of Corporate services expenses (salaries and general office) is allocated to Marketing and communications, Member services and Veteran services expenses in the General Fund, and to General 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 General 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

	2017 \$	2016 \$
Commands, branches and members		
General	695,695	377,730
Poppy Trust Fund	760,406	808,958
Other		
General	118,952	92,383
Poppy Trust Fund	334,430	292,711
Accrued interest	34,367	30,929
	<hr/> 1,943,850	<hr/> 1,602,711

The Royal Canadian Legion - Dominion Command

Notes to Financial Statements

December 31, 2017

4 Marketable investments

	2017		2016	
	Fair value \$	Cost \$	Fair value \$	Cost \$
General Fund	20,809,516	19,862,347	20,425,230	19,789,761
Poppy Trust Fund	6,742,061	6,529,872	6,430,495	6,347,793
Centennial Fund	2,012,417	1,942,743	1,956,829	1,922,938
	<u>29,563,994</u>	<u>28,334,962</u>	<u>28,812,554</u>	<u>28,060,492</u>

Net gains on sales of marketable investments of \$197,720 (2016 - \$186,304) and net increases in unrealized gains and losses of \$311,699 (2016 - net decreases in unrealized gains and losses of \$771,736) relate to the general investment portfolio and are accounted for in the Investment Fund.

	2017		2016	
	Fair value \$	Cost \$	Fair value \$	Cost \$
Government and government guaranteed bonds	2,976,190	3,027,520	2,960,780	2,970,136
Corporate bonds and pooled bond funds	14,605,692	14,957,659	13,156,274	13,385,675
Corporate stocks and pooled equity funds	11,982,112	10,349,783	12,695,500	11,704,681
	<u>29,563,994</u>	<u>28,334,962</u>	<u>28,812,554</u>	<u>28,060,492</u>

Government and government guaranteed bonds bear interest at fixed rates ranging from 1.25% to 3.75% and mature between 2018 and 2025 (2016 - 1.25% to 2.10% and mature between 2017 and 2022).

Corporate bonds bear interest at fixed rates ranging from 1.9% to 3.5% and mature between 2019 and 2025 (2016 - 2.0% to 3.5% and mature between 2017 and 2022). 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.

22% (2016 - 17%) of marketable investments are denominated in US dollars.

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Notes to Financial Statements

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5 Capital assets

			2017	2016
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	950,220	-	950,220	950,220
Building	5,841,416	1,642,905	4,198,511	4,344,547
Furniture and equipment	165,393	145,579	19,814	26,985
Computers	253,597	143,033	110,564	119,038
	7,210,626	1,931,517	5,279,109	5,440,790

6 Employee future benefits

Extrapolations of actuarial valuation reports prepared as at December 31, 2017 and January 1, 2017 (2016 - December 31, 2016 and January 1, 2014), for the retirement allowance and the overall defined benefit plan, respectively, indicated the following:

	2017		2016	
	Retirement obligation \$	Pension plan \$	Retirement obligation \$	Pension plan \$
Fair value of plan assets	-	19,203,800	-	17,701,800
Defined benefit obligation	(535,400)	(17,475,500)	(515,400)	(15,761,300)
Pension asset (retirement obligation)	(535,400)	1,728,300	(515,400)	1,940,500

7 Government remittances

Government remittances (GST/HST payable) of \$34,728 (2016 - \$27,795) are included within accounts payable and accrued liabilities.

In addition, subsequent to year end, the Dominion Command filed a submission under the Voluntary Disclosures Program with the Canada Revenue Agency (note 10).

8 Controlled entities

Canvet Publications Ltd.

The Dominion Command controls Canvet Publications Ltd. ("Canvet"), a federally incorporated entity, as the shareholders of Canvet are officers of the Dominion Command. Canvet publishes and distributes "Legion Magazine", which is sold to the membership of the Royal Canadian Legion, non-member subscribers and the general public.

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Canvet has not been consolidated in the Dominion Command's financial statements. A summary of the financial position, results of operations and cash flows of Canvet as at December 31, 2017 and 2016 is as follows:

	2017 \$	2016 \$
Financial position		
Total assets	8,013,964	4,189,594
Total liabilities	3,102,838	1,833,787
Shareholders' equity	4,911,125	2,355,807
	<u>8,013,964</u>	<u>4,189,594</u>
	2017 \$	2016 \$
Results of operations		
Total revenue	7,339,245	4,381,906
Total expense	4,044,396	4,031,706
Net earnings for the year	<u>3,294,849</u>	<u>350,200</u>
Cash provided by (used in)		
Operating activities	962,752	10,631
Investing activities	(842,183)	(287,692)
	<u>120,569</u>	<u>(277,061)</u>

The accounting policies followed by Canvet are similar to those followed by the Dominion Command except that Canvet's contributions to the pension plan are included in total expense when determining net earnings for the year.

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

	2017 \$	2016 \$
Legion Magazine - Subscriptions	3,852,849	2,581,410
Advertising	80,482	68,041
Design services	15,993	14,210
Special issue publications	1,851	3,510
Other	-	150

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

	2017 \$	2016 \$
Legion Magazine - subscriptions - prior years	1,445,000	-
Interest on prior years' subscriptions	1,289,330	-
	<hr/> 2,734,330	<hr/> -

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

	2017 \$	2016 \$
Administrative fees	110,000	110,000
Building rental	68,640	68,640
Miscellaneous - Network support charge (included in miscellaneous revenue)	3,000	3,000
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.

Balances with Canvet are non-interest bearing with no specified terms of repayment. Included in accounts receivable is \$52 (2016 - \$48,636) owing from Canvet.

The Legion National Foundation

The Dominion Command controls The Legion National Foundation (the 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.

The Foundation has not been consolidated in the Dominion Command's financial statements. A summary of the financial position, results of operations and cash flows of the Foundation as at December 31, 2017 and 2016 is as follows:

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Notes to Financial Statements

December 31, 2017

	2017 \$	2016 \$
Financial position		
Total liabilities/net liabilities	(1,638)	-
	2017 \$	2016 \$
Results of operations		
Total expense/net expense for the period	(1,638)	-
Cash provided by (used in)		
Operating activities	-	-

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.

	2017 \$	2016 \$
Building	300,053	270,053
RCEL conference	24,300	19,300
Convention	200,000	-
Special purpose	26,979	26,979
Per capita tax	2,914,359	2,914,359
	3,465,691	3,230,691

10 Commitments and contingencies

The Trico Group Inc. supplies the Poppy Trust Fund with poppies and related remembrance materials under an agreement which is in effect until December 31, 2018.

The Dominion Command is also committed to the following payments for equipment under various leases:

	\$
2018	80,392
2019	59,231
2020	52,054
2021	36,817
2022	26,278

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The Dominion Command is currently in a dispute with a supplier who is requesting a payment of \$59,000 for services rendered at the 2016 Dominion Convention. Dominion Command does not dispute that services were rendered but disagrees with the amount charged. This is currently under negotiation with the supplier and an estimate of a final amount to be recognized cannot be determined.

Subsequent to year-end, 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 2019. 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.

	2017	2016
	\$	\$
Per capita tax revenue	5,883,846	5,710,008
Adjustment to estimated HST on per capita tax revenue	(560,000)	-
	<u>5,323,846</u>	<u>5,710,008</u>

11 Allocation of expenses

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

	2017	2016
	\$	\$
Corporate services	3,000	3,000
Financial services	3,000	3,000
Marketing and communications	1,000	1,000
Member services	5,000	5,000
Veteran services	3,000	3,000
Supply Chain Management - Operation	6,000	6,000

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

	2017	2016
	\$	\$
General Fund - Marketing and communications	15,000	15,000
General Fund - Member services	15,000	15,000
General Fund - Veteran services	30,000	30,000
Poppy Fund - General	148,700	145,800

A portion of Supply Chain Management - Operation expenses (salaries and general warehouse) of \$269,100 (2016 - \$263,800) has been allocated to General expense of the Poppy Fund.