

# **The Royal Canadian Legion – Dominion Command**

Financial Statements  
**December 31, 2022**



## Independent auditor's report

To the Members of The Royal Canadian Legion – Dominion Command

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### 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, 2022 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 (ASNPO).

#### What we have audited

The Dominion Command's financial statements comprise:

- the statement of financial position as at December 31, 2022;
- the statement of changes in fund balances for the year then ended;
- the statement of operations 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 significant accounting policies and other explanatory information.

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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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## **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 ASNPO, 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.

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## **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.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario  
June 9, 2023

# The Royal Canadian Legion – Dominion Command


## Statement of Financial Position

As at December 31, 2022

	2022 \$	2021 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,937,599	5,663,369
Accounts receivable (note 3)	2,647,478	1,594,083
Due from Legion National Foundation (note 8)	346,182	555,965
Due to Canvet Publications Ltd. (note 8)	35,714	-
Inventory		
General	1,816,073	1,798,713
Poppy promotional material	202,545	725,830
Prepaid expenses	520,183	240,681
Prepaid subscriptions	1,825,346	1,673,417
	<hr/> 11,331,120	<hr/> 12,252,058
<b>Marketable investments</b> (note 4)	27,329,781	29,991,535
<b>Capital assets</b> (note 5)	<hr/> 4,457,260	<hr/> 4,601,198
	<hr/> <b>43,118,161</b>	<hr/> <b>46,844,791</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 7)	2,208,543	2,108,433
Revenue collected in advance – current	3,506,628	3,314,960
Due to Canvet Publications Ltd. (note 8)	-	6,146
COVID-19 relief payable to branches (note 13)	105,225	353,882
	<hr/> 5,820,396	<hr/> 5,783,421
<b>Revenue collected in advance – non-current</b>	817,192	661,275
<b>Retirement obligation</b> (note 6)	<hr/> 535,500	<hr/> 529,900
	<hr/> <b>7,173,088</b>	<hr/> <b>6,974,596</b>
<b>Fund Balances</b>		
<b>Unrestricted</b>	3,973,539	3,528,117
<b>Internally Restricted Funds</b>	17,756,638	19,740,456
<b>Externally Restricted Funds</b>	<hr/> 14,214,895	<hr/> 16,601,622
	<hr/> 35,945,072	<hr/> 39,870,195
	<hr/> <b>43,118,161</b>	<hr/> <b>46,844,791</b>
<b>Commitments and contingencies</b> (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, 2022

	Balance – Beginning of year \$	Net revenue (expense) for the year \$	Remeasurements and other items \$	Transfers from (to) \$	Balance – End of year \$
<b>Unrestricted</b>	3,528,117	(221,854)	72,000	595,276	3,973,539
<b>Internally Restricted Funds</b>					
Invested in capital assets (note 5)	4,601,195	(172,142)	-	28,732	4,457,785
Other internally restricted (note 9)	3,563,712	-	-	(7,787)	3,555,925
Pension Plan Fund (note 6)	-	(743,353)	(81,500)	655,053	(169,800)
Investment Fund (note 4)	11,575,547	(1,566,535)	-	(96,284)	9,912,728
<b>Total Internally Restricted Funds</b>	19,740,456	(2,482,030)	(81,500)	579,714	17,756,638
	23,268,573	(2,703,884)	(9,502)	1,174,990	21,730,177
<b>Externally Restricted Funds</b>					
Poppy Trust Fund	12,595,160	(1,036,932)	-	(1,174,990)	10,383,238
Centennial Fund	2,675,939	(181,110)	-	-	2,494,829
RCEL Fund	1,239,866	6,305	-	-	1,246,171
Benevolent Fund	90,657	-	-	-	90,657
<b>Total Externally Restricted Funds</b>	16,601,622	(1,211,737)	-	(1,174,990)	14,214,895
	39,870,195	(3,915,621)	(9,502)	-	35,945,072

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

# The Royal Canadian Legion – Dominion Command

## Statement of Operations

For the year ended December 31, 2022

	2022 \$	2021 \$
<b>Revenue</b>		
Membership fee revenue	5,668,132	5,339,611
Supply sales	2,811,833	3,001,664
Net changes in fair value of marketable investments (note 4)	(1,566,534)	1,101,557
Other membership revenues (donations)	40,000	-
Subscription agency fee (note 8)	400,000	400,000
Interest (note 4)	326,671	342,207
Canada Emergency Wage Subsidy	-	155,334
Royalties – member benefits program	209,334	129,645
Dividends (note 4)	106,326	110,419
Administrative fees (note 8)	110,000	110,000
Building rental (note 8)	97,920	82,920
Administrative fee on distribution of federal funds (note 2)	-	73,880
Mastercard royalties	82,963	5,531
Estate bequests	33,293	-
Royalties – Legion Lager	14,018	13,841
Other revenue	125,998	22,466
	<u>8,459,954</u>	<u>10,889,075</u>
<b>Expense</b>		
Corporate services	723,109	709,803
Building	685,302	337,614
Committees	551,549	415,202
Marketing, advertising and promotion	1,077,881	1,133,527
Financial services	308,319	366,796
Information technology	372,880	430,340
Legion Magazine – subscriptions (note 8)	2,541,272	2,407,476
Marketing and communications	426,904	412,845
Member services	820,783	739,911
Other program expenses	190,662	93,223
Veterans services	1,155,867	1,029,336
Supply chain management		
Operation	918,188	771,247
Cost of sales	1,218,980	1,338,182
Amortization		
Furniture and equipment and computers	26,106	34,847
Building	146,036	146,036
	<u>11,163,838</u>	<u>10,366,385</u>
<b>Net revenue (expense) before the undernoted</b>	(2,703,884)	522,690
<b>COVID-19 relief distribution</b> (note 13)	-	(231,879)
<b>Net revenue (expense) for the year</b>	<u>(2,703,884)</u>	<u>290,811</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, 2022

				2022	2021
	Poppy Trust Fund \$	Centennial Fund \$	RCEL Fund \$	Total \$	Total \$
<b>Revenue</b>					
Donations	690,449	-	259,470	949,919	3,012,664
Interest (note 5)	235,858	65,511	29,035	330,404	349,536
Dividends (note 5)	63,346	17,558	4,834	85,738	79,237
Poppies and wreaths	2,863,971	-	-	2,863,971	2,210,497
Promotional aids	478,752	-	-	478,752	325,097
Other	4,959	-	-	4,959	108,698
	<b>4,337,335</b>	<b>83,069</b>	<b>293,339</b>	<b>4,713,743</b>	<b>6,085,729</b>
<b>Expense</b>					
Advertising and promotional materials	147,342	-	-	147,342	142,788
Poppies and wreaths	1,804,366	-	-	1,804,366	1,076,947
Promotional aids	226,631	-	-	226,631	167,004
Trademark defence	25,841	-	-	25,841	2,607
Freight	421,749	-	-	421,749	280,222
General	128,845	14,214	5,224	148,283	168,701
Support – supply department	295,235	-	-	295,235	217,085
Support – administration department	150,000	-	-	150,000	224,862
Support – marketing	116,889	-	-	116,889	80,887
Support – finance	140,250	-	-	140,250	121,981
Support – public relations	10,000	-	-	10,000	7,500
Operation Santa Claus and Canada Day	83,425	-	-	83,425	69,414
National Remembrance Ceremony	104,363	-	-	104,363	65,859
Marketing and promotion	9,446	-	-	9,446	-
Other external	50,000	-	-	50,000	30,000
Caribbean liaison	4,851	-	-	4,851	-
Poppy department	372,795	-	-	372,795	93,650
Benevolent support and assistance	345,208	-	185,705	530,913	823,122
	<b>4,437,236</b>	<b>14,214</b>	<b>190,929</b>	<b>4,642,379</b>	<b>3,572,629</b>
<b>Net revenue (expense) before the undernoted</b>	<b>(99,901)</b>	<b>68,855</b>	<b>102,410</b>	<b>71,364</b>	<b>2,513,100</b>
Net changes in fair value of marketable investments (note 4)	(937,031)	(249,965)	(96,105)	(1,283,101)	890,058
<b>Net revenue (expense) for the year</b>	<b>(1,036,932)</b>	<b>(181,110)</b>	<b>6,305</b>	<b>(1,211,737)</b>	<b>3,403,158</b>

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, 2022

	2022 \$	2021 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net revenue (expense) for the year	(3,915,621)	3,693,969
Items not affecting cash		
Provision for pension plan	743,353	500,261
Provision for retirement obligation	72,000	75,900
Pension Plan Ending Balance	(169,800)	-
Amortization	172,670	180,883
Unrealized losses (gains) on marketable investments	3,216,878	(1,815,424)
Realized gains on sales of marketable investments	(367,633)	(176,192)
Contributions to pension plan	(655,053)	(730,061)
Cash paid for retirement obligation	5,600	(8,200)
Net change in non-cash working capital items <sup>1</sup>	(611,940)	(6,847,311)
	<u>(1,509,546)</u>	<u>(5,126,175)</u>
<b>Investing activities</b>		
Proceeds on sales of marketable investments	3,576,401	3,410,319
Purchase of marketable investments	(3,763,893)	(5,155,454)
Purchase of capital assets	(28,732)	(12,254)
	<u>(216,224)</u>	<u>(1,757,389)</u>
<b>Net change in cash and cash equivalents during the year</b>	<b>(1,725,770)</b>	<b>(6,883,564)</b>
<b>Cash and cash equivalents – Beginning of year</b>	<b>5,663,369</b>	<b>12,546,933</b>
<b>Cash and cash equivalents – End of year</b>	<b>3,937,599</b>	<b>5,663,369</b>
<b><sup>1</sup> Net change in non-cash working capital items</b>		
Accounts receivable	(1,053,395)	852,255
Due from The Legion National Foundation	209,783	(114,547)
Inventory		
General	(17,363)	(479,297)
Poppy promotional material	523,285	(439,108)
Prepaid expense	(279,502)	106,725
Prepaid subscriptions	(151,928)	(263,866)
Accounts payable and accrued liabilities	(35,714)	(490,863)
Revenue collected in advance	100,110	650,059
Due to Canvet Publications Ltd.	(6,146)	2,735
COVID-19 relief payable to branches	(248,656)	66,369
Fund held in trust	347,586	(6,737,773)
	<u>(611,940)</u>	<u>(6,847,311)</u>

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

# The Royal Canadian Legion – Dominion Command

## Notes to Financial Statements

December 31, 2022

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### 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 ASNPO 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

##### Unrestricted Funds

All transactions other than externally restricted or designated by management in an Internally Restricted Fund are recorded in Unrestricted Funds. Management makes discretionary transfers to the Unrestricted Funds and the Internally Restricted Funds.

Internally Restricted Funds are accounted for as follows.

##### *Invested in capital assets*

Invested in capital assets comprise capital assets less accumulated amortization and outstanding balances of mortgages or other borrowings attributable to the acquisition, construction, or improvement of those assets.

##### *Other internally restricted*

These funds were meant as an account for the setting aside and use of reserves as and when needed. The Dominion Command makes discretionary transfers to and from these funds as and when needed.

# The Royal Canadian Legion – Dominion Command

## Notes to Financial Statements

December 31, 2022

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### *Pension Fund*

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

### *Investment Fund*

Interest and dividends earned on marketable investments are accounted for in the Investment Fund or in the Externally Restricted Fund to which they relate. Unrestricted realized and unrealized gains and losses on marketable investments are accounted for in the Investment Fund. The Investment Fund was established on 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 dependents 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 comprise cash on hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less.

## **Inventory**

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

## **Financial instruments**

### *Measurement of financial instruments*

The Dominion Command initially measures its financial assets and financial liabilities at fair value, except for certain instruments originated or acquired in related party transactions. The Dominion Command subsequently measures all its financial assets and financial liabilities at amortized cost except marketable investments measured at fair value.

# The Royal Canadian Legion – Dominion Command

## Notes to Financial Statements

December 31, 2022

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Financial assets measured at amortized cost consist of cash and cash equivalents, accounts receivable and due from Legion National Foundation. Financial liabilities measured at amortized cost consist of accounts payable and accrued liabilities, due to Canvet Publications Ltd and COVID-19 relief payable to branches.

Transaction costs on financial assets and financial liabilities measured at amortized cost are adjusted against the carrying value of the related asset or liability and then recognized over the expected life of the instrument using the straight-line method. Transaction costs on equity investments quoted in active markets are recognized immediately in the statement of operations.

### *Impairment*

At the end of each reporting period, Dominion Command assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. If there are indicators of impairment, and the Dominion Command determines there has been a significant adverse change in the expected amount or timing of future cash flows, the carrying amount of the asset is reduced to the higher of the expected cash flows expected to be generated by holding the asset, discounted using a current market rate of interest, and the amount that could be realized by selling the asset at the statement of financial position date.

### **Capital assets**

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 multi-employer, contributory, defined benefit pension plan that covers all employees of the Dominion 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.

# The Royal Canadian Legion – Dominion Command

## Notes to Financial Statements

December 31, 2022

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### Revenue recognition

The Dominion Command follows restricted fund accounting to record revenue.

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

Supply sales revenue is recognized when all of the following criteria are met: persuasive evidence of an agreement exists, the supplies have been shipped or provided to the members, the price is fixed or determinable and collection is reasonably assured.

Membership fee revenue 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, poppy division, veterans services and supply chain management – operation expenses in the statement of operations 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 supply, marketing and communications, member services, financial services and veterans services expenses in the General Fund statement of operations, and to support – administration department 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.

# The Royal Canadian Legion – Dominion Command

## Notes to Financial Statements

December 31, 2022

### 3 Accounts receivable

	2022 \$	2021 \$
Commands, branches and members		
Unrestricted	1,098,132	889,257
Poppy Trust Fund	1,343,670	460,380
Other		
Unrestricted	15,175	17,518
Poppy Trust Fund	164,301	204,999
Accrued interest	26,200	21,929
	2,647,478	1,594,083

### 4 Marketable investments

	2022		2021	
	Fair value \$	Cost \$	Fair value \$	Cost \$
General Fund	15,454,670	14,924,396	16,400,581	14,050,044
Poppy Trust Fund	8,573,999	8,447,182	9,997,750	8,853,934
Centennial Fund	2,412,323	2,366,872	2,620,968	2,291,917
RCEL Fund	888,789	870,443	972,236	857,874
	27,329,781	26,608,893	29,991,535	26,053,769

Changes in the fair value of marketable investments are given below:

	2022 \$	2021 \$
Realized changes in fair value of marketable investments		
Investment Fund	254,119	103,265
Externally Restricted Funds	113,514	72,926
	367,633	176,191
Unrealized changes in fair value of marketable investments		
Investment Fund	(1,820,263)	998,292
Externally Restricted Funds	(1,396,615)	817,132
	(3,216,878)	1,815,424

# The Royal Canadian Legion – Dominion Command

## Notes to Financial Statements

December 31, 2022

Marketable investments comprise:

	2022		2021	
	Fair value \$	Cost \$	Fair value \$	Cost \$
Government and government guaranteed bonds	2,634,671	2,843,601	2,848,446	2,843,601
Corporate bonds and pooled bond funds	12,616,993	13,873,033	11,900,714	11,947,621
Corporate stocks and pooled equity funds	12,078,117	9,892,260	15,242,375	11,262,547
	<u>27,329,781</u>	<u>26,608,894</u>	<u>29,991,535</u>	<u>26,053,769</u>

Government and government guaranteed bonds bear interest at fixed rates ranging from 1.50% to 3.75% and mature between 2024 and 2026 (2021 – 1.50% to 3.75% and mature between 2024 and 2026).

Corporate bonds bear interest at fixed rates ranging from 1.90% to 6.47% and mature between 2022 and 2029 (2021 – 1.90% to 3.50% and mature between 2022 and 2026). 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

	2022		2021	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	950,220	-	950,220	950,220
Building	5,857,585	(2,373,085)	3,484,500	3,614,367
Furniture and equipment	138,466	(130,198)	8,268	8,107
Computers	102,281	(88,009)	14,272	28,504
	<u>7,048,552</u>	<u>(2,591,292)</u>	<u>4,457,260</u>	<u>4,601,198</u>

Cost and accumulated amortization amounted to \$7,073,703 and \$7,174,455, respectively, as at December 31, 2021.

# The Royal Canadian Legion – Dominion Command

## Notes to Financial Statements

December 31, 2022

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### 6 Employee future benefits

The Dominion Command operates a defined benefit pension plan for its employees and employees of Canvet Publication Limited (Canvet). The Dominion Command also operates a retirement plan for certain employees which is payable as a single payment on retirement of those employees.

- (a) The Dominion Command is required by regulation to complete a funding valuation at least every three years on its pension plan and annually for the retirement allowance obligation. The most recent funding valuations prepared for all plans were done on January 1, 2020. During the year ended December 31, 2021, the Dominion Command's management revised its salary assumption effective January 1, 2020, and comparative figures have been updated accordingly.
- (b) As at December 31, 2022, a reconciliation of the funded status of benefit plans to the amounts recorded to in the financial statements is as follows:

	2022		2021	
	Retirement obligation \$	Pension plan \$	Retirement obligation \$	Pension plan \$
Fair value of plan assets	-	25,111,300	-	26,315,000
Defined benefit obligation	(535,500)	(25,281,100)	(529,900)	(23,571,400)
Funded status – surplus (deficit)	(535,500)	(169,800)	(529,900)	2,743,600
Less: Valuation allowance	-	-	-	(2,743,600)
Pension liability (retirement obligation)	(535,500)	-	(529,900)	-

### 7 Government remittances

Government remittances (GST/HST payable) of \$116,593 (2021 – \$112,715) are included in accounts payable and accrued liabilities.



# The Royal Canadian Legion – Dominion Command

## Notes to Financial Statements

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### 8 Related party transactions and balances

#### 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 Dominion Command does not control Canvet and therefore does not consolidate its results.

The following transactions with Canvet are included in expenses of the statement of operations:

	<b>2022</b>	<b>2021</b>
	\$	\$
Legion Magazine – subscriptions current year	2,391,968	2,225,962
Advertising	52,117	56,024
Design services	14,622	28,575
Special issue publications	1,406	1,406

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

	<b>2022</b>	<b>2021</b>
	\$	\$
Administrative fees	110,000	110,000
Building rental	97,920	68,640
Miscellaneous – network support charge (included in miscellaneous revenue)	5,000	5,000
Subscription agency fee	400,000	400,000
Recharge of pension cost and contribution	-	138,619

These transactions are considered to be carried out 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 the Dominion Command serves as a director on the Foundation’s Board of Directors, and so the Dominion Command participates in strategic policies of the Foundation. Dominion command does not control the Foundation and therefore does not consolidate its results.

# The Royal Canadian Legion – Dominion Command

## Notes to Financial Statements

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During the year ended December 31, 2022, Dominion Command provided services and paid expenses on behalf of the Foundation amounting to \$170,951 (2021 – \$191,316). These transactions are considered to be carried out 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 the Foundation are non-interest bearing and have no specified terms of repayment.

### 9 Internally Restricted Funds balance

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

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Building	300,053	300,053
RCEL conference	36,513	44,300
Convention	305,000	305,000
Membership fee	2,914,359	2,914,359
	<hr/>	<hr/>
	3,555,925	3,563,712
	<hr/>	<hr/>

### 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:

	<b>\$</b>
Year ending December 31, 2023	1,037,960
2024	983,981
2025	927,533
2026	912,773
2027	900,000
Thereafter	900,000

The Dominion Command may potentially be exposed to the application of GST/HST on its membership fee revenue up to a certain number of prior years. Management, in consultation with the Dominion Executive Committee, is currently in the process of assessing such applicability. Accordingly, an estimated provision for the potential exposure has been accrued in these financial statements. 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.

# The Royal Canadian Legion – Dominion Command

## Notes to Financial Statements

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### 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:

	2022 \$	2021 \$
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:

	2022 \$	2021 \$
Unrestricted – marketing and communications	15,000	15,000
Unrestricted – member services	15,000	15,000
Unrestricted – veterans services	30,000	30,000
Poppy Trust Fund – support administration department	150,000	150,000

A portion of supply chain management – operation expenses (salaries and general warehouse) of \$292,235 (2021 – \$289,446) has been allocated to support – administration department expense of the Poppy Trust Fund.

### 12 Financial instruments and financial risk factors

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

#### Liquidity risk

Liquidity risk is the risk an entity will encounter difficulty in meeting obligations associated with its financial liabilities. The Dominion Command is exposed to liquidity risk mainly with respect to its accounts payable and accrued liabilities. The Dominion Command monitors its cash balances and cash flows generated from operations to meet its requirements.

#### Market risk

Market risk is the risk 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: interest rate risk, currency risk and other price risk.

# The Royal Canadian Legion – Dominion Command

## Notes to Financial Statements

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### *Interest rate risk*

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Dominion Command is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed interest instruments subject the Dominion Command to fair value risk, while floating interest rate instruments subject it to cash flow risk. As at December 31, 2022, the Dominion Command's exposure to interest rate risk is as follows:

Cash and cash equivalents	Fixed and floating rate
Marketable investments – bonds	Fixed and floating rate

### *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. The Dominion Command is exposed to currency risk primarily on its transactions and balances in US dollars (USD). The following financial instruments were denominated in USD:

	2022 USD	2021 USD
Cash and cash equivalents	30,036	19,765
Marketable investments	3,347,931	4,313,228
	<u>3,377,967</u>	<u>4,332,993</u>
Equivalent in Canadian dollars	<u>4,560,255</u>	<u>5,503,209</u>

### *Other price risk*

Other price risk is the risk 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 Dominion Command's exposure to this risk arises from its marketable investments in corporate equities and pooled equity funds. The Dominion Command invests in a diversified portfolio of securities and is not exposed to concentrations of other price risk to a particular industry or company.

### **Credit risk**

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

# **The Royal Canadian Legion – Dominion Command**

## Notes to Financial Statements

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

### **13 Impact of COVID-19 pandemic**

During the year ended December 31, 2020, the Dominion Executive Council resolved to liquidate investments amounting to \$3,000,000 and distribute the proceeds as COVID-19 relief to branches through Provincial Commands to combat against coronavirus. As at December 31, 2022, the Dominion Command has distributed \$2,894,775 (2021 – \$2,717,948) of such proceeds.