

The Royal Life Saving Society - Manitoba Branch Inc.

Financial Statements

For the Year Ended December 31, 2019

The Royal Life Saving Society - Manitoba Branch Inc.
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For the Year Ended December 31, 2019

INDEPENDENT AUDIT REPORT

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CHARTERED PROFESSIONAL ACCOUNTANTS
COMPTABLES PROFESSIONNELS AGRÉÉS

INDEPENDENT AUDIT REPORT

To the Board of Directors
The Royal Life Saving Society - Manitoba Branch Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Royal Life Saving Society - Manitoba Branch Inc. (the "Organization"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

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 are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Organization'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 Organization'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 Organization'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 Organization 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Organization to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

Winnipeg, Manitoba
March 04, 2020



Talbot and Associates
Chartered Professional Accountants

Ashern, MB	204.768.2346	Oak Bluff, MB	204.269.7460
Birtle, MB	204.842.5301	Winnipeg, MB (St. Boniface)	204.987.4875
Notre-Dame-de-Lourdes, MB	204.248.2557	Winnipeg, MB (St. Norbert)	204.269.7460
Steinbach, MB	204.326.6871		

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The Royal Life Saving Society - Manitoba Branch Inc.

Statement of Financial Position

December 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 56,307	\$ 180,721
Short term investments	107,664	54,820
Accounts receivable	17,756	32,855
Inventory	20,813	18,149
Prepaid expenses	7,878	9,207
	<u>210,418</u>	<u>295,752</u>
LONG-TERM INVESTMENTS	(Note 4) 46,836	70,450
TANGIBLE CAPITAL ASSETS	(Note 3) 9,942	5,022
	<u>\$ 267,196</u>	<u>\$ 371,224</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 40,304	\$ 16,312
Due to government agencies	3,014	2,090
	<u>43,318</u>	<u>18,402</u>
NET ASSETS	<u>223,878</u>	<u>352,822</u>
	<u>\$ 267,196</u>	<u>\$ 371,224</u>

Approved on Behalf of the Board:

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

The Royal Life Saving Society - Manitoba Branch Inc.

Statement of Net Assets

For the Year Ended December 31, 2019

	2019	2018
NET ASSETS - BEGINNING OF YEAR	\$ 352,822	\$ 426,337
DEFICIENCY OF REVENUES OVER EXPENSES	<u>(128,944)</u>	<u>(73,515)</u>
NET ASSETS - END OF YEAR	<u>\$ 223,878</u>	<u>\$ 352,822</u>

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

The Royal Life Saving Society - Manitoba Branch Inc.

Statement of Operations

For the Year Ended December 31, 2019

	2019	2018
REVENUE		
Test fees, sales, and other revenues (Schedule 1)	\$ 256,716	\$ 235,824
Less: Cost of goods sold	<u>(65,341)</u>	<u>(53,909)</u>
	191,375	181,915
Grants & Assistance		
Manitoba Indigenous & Municipal Relations	225,000	225,000
Manitoba Health, Seniors, and Active Living	125,600	125,600
Manitoba Sustainable Development	5,000	5,000
Human Resources Development Canada	24,698	7,900
Health Canada	54,000	54,000
The Winnipeg Foundation	7,000	-
Canadian Safe Boating Council	-	39,130
Google Inc.	-	6,407
Sports Manitoba	-	4,500
	<u>441,298</u>	<u>467,537</u>
	632,673	649,452
EXPENSES		
Advertising and promotion	81,607	82,918
Amortization of tangible capital assets	2,468	2,048
Insurance	6,303	5,915
Interest and bank charges	3,113	4,869
Lifeguard competition	9,467	9,100
Meetings	865	5,287
Office expenses	28,613	22,968
Professional fees	23,519	10,163
Programs	153,403	133,101
Rental	41,467	40,853
Repairs and maintenance	26,734	15,777
Salaries and wages	378,777	382,825
Utilities	5,281	7,143
	<u>761,617</u>	<u>722,967</u>
DEFICIENCY OF REVENUES OVER EXPENSES	\$ (128,944)	\$ (73,515)

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

The Royal Life Saving Society - Manitoba Branch Inc.

Statement of Cash Flows

For the Year Ended December 31, 2019

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Deficiency of revenues over expenses for the year	\$ (128,944)	\$ (73,515)
Adjustments for non-cash items:		
Amortization of tangible capital assets	2,468	2,048
Changes in non-cash working capital balances:		
Accounts receivable	15,099	(19,987)
Due from government agencies	924	8,499
Inventory	(2,664)	8,713
Prepaid expenses	1,329	(446)
Accounts payable and accrued liabilities	23,992	(11,982)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	(87,796)	(86,670)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments to acquire tangible capital assets	(7,387)	-
Payments to acquire short-term investments	(52,844)	-
Proceeds from short-term investments	-	29,415
Payments to acquire long-term investments	-	(70,449)
Proceeds from long-term investments	23,613	-
NET CASH USED BY INVESTING ACTIVITIES	(36,618)	(41,034)
NET CASH INCREASE (DECREASES) IN CASH AND CASH EQUIVALENTS	(124,414)	(127,704)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	180,721	308,425
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 56,307	\$ 180,721

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

The Royal Life Saving Society - Manitoba Branch Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2019

1. DESCRIPTION OF OPERATIONS

The Royal Life Saving Society - Manitoba Branch Inc. (the "Organization") was incorporated in 1985 under the laws of the Province of Manitoba as a not-for-profit organization. The Organization's mission is to prevent drowning and aquatic accidents for Manitobans by providing the public education and program education. The Organization is a registered charity and as such, is exempt from income taxes under paragraph 149(1)(f) of the *Income Tax Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Organization are in accordance with Canadian accounting standards for not-for-profit organizations applied on a basis consistent with that of the preceding year. Outlined below are those policies considered particularly significant.

a. Short-term investments

Short-term investments consist of investments with a maturity date of twelve months or less as at December 31, 2019 and are stated at their fair value.

b. Inventories

Inventory is stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

c. Long-term deposits

Long-term deposits consist of term deposits with a maturity date of more than twelve months as at December 31, 2019 and are stated at their fair value.

d. Tangible capital assets

Amortization is provided for using the declining balance method over the estimated useful lives as follows for the major classes of assets:

Communications equipment	20%
Computer hardware	30%
Furniture & equipment	20%
Lifesaving equipment	20%

The amortization of the property, plant, and equipment is calculated half of the above mentioned rates for the year of purchase and no amortization is recorded in the year of disposal.

The Royal Life Saving Society - Manitoba Branch Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES

e. Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Program revenue is recognized when substantially all of the obligations of the Organization are satisfied. Membership revenue is recognized in the period to which it is applicable. Merchandise revenue is recognized at the time that merchandise is shipped to the client.

f. Use of estimates

The preparation of the 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

g. Contributed services

A large number of volunteers contribute several hours annually to the Organization's activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

The Royal Life Saving Society - Manitoba Branch Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES

h. Financial instruments

Initial and subsequent measurement

The Organization initially measures its financial assets and liabilities at fair value.

The Organization subsequently measures all its financial assets and liabilities at cost or amortized cost.

Financial assets measured at amortized cost on a straight-line basis include cash and accounts receivable.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable, accrued liabilities, and due to government agencies.

Transaction costs

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in income in the period incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in income over the life of the instrument using the straight-line method.

3. TANGIBLE CAPITAL ASSETS

	Cost	Accum. Amort.	2019 Net Book Value	2018 Net Book Value
Communications equipment	\$ 1,600	\$ 1,591	\$ 9	\$ 12
Computer equipment	47,488	39,597	7,891	4,436
Furniture and fixtures	42,640	40,665	1,975	491
Lifesaving equipment	3,851	3,784	67	83
	\$ 95,579	\$ 85,637	\$ 9,942	\$ 5,022

The Royal Life Saving Society - Manitoba Branch Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2019

4. LONG-TERM INVESTMENTS

	2019	2018
Term deposit with Belgian Alliance Credit Union, earning annual interest of 3.35%, maturing October 17, 2023	\$ 46,836	\$ 45,310
Term deposit with Belgian Alliance Credit Union, earning annual interest of 3%, maturing October 24, 2020	-	25,140
	<u>\$ 46,836</u>	<u>\$ 70,450</u>

5. LEASE COMMITMENT

The Organization has a five-year lease with Aledar & Gelina Oze that was renegotiated on April 1, 2019 for the premises located at 100 - 383 Provencher Boulevard, Winnipeg, MB. The lease requires monthly rent payments of \$3,492, and there is an option for renewal at the end of the term.

Lease commitments for the next five years are as follows:

2020	\$ 41,904
2021	41,904
2022	41,904
2023	41,904
2024	41,904

The Royal Life Saving Society - Manitoba Branch Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2019

6. FINANCIAL RISKS

The Organization is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The main risks are broken down below.

Credit risk

Credit risk is the risk that one party to a financial asset will cause a financial loss for the company by failing to discharge an obligation. The Organization's credit risk is mainly related to accounts receivable and grants receivable. The Organization provides credit to its clients in the normal course of its operations.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed interest rate instruments subject the company to a fair value risk, since fair value fluctuates inversely to changes in market interest rates. Floating interest rate instruments subject the company to changes in related future cash flows.

7. COMPARATIVE FIGURES

The prior year's financial statements were audited by Talbot & Associates Chartered Professional Accountants Inc. Some figures have been reclassified to conform with the current year presentation.

8. SUBSEQUENT EVENT

Subsequent to the year end, The Royal Life Saving Society - Manitoba Branch Inc. obtained a new line of credit with the Belgian Alliance Credit Union ("Belgian CU") with an authorized limit of up to \$50,000. Interest on the line is payable at Belgian CU prime rate plus 1% per annum. The line is secured by a general security agreement. The line has not been used as at March 4, 2020.

The Royal Life Saving Society - Manitoba Branch Inc.

For the Year Ended December 31, 2019

Schedule 1 - Schedule of Test Fees, Sales and Other Revenues

	2019	2018
Test Fees		
Examiner	\$ 55,501	\$ 52,752
Instructor	20,947	25,727
Lifesaving	35,555	31,972
	<u>112,003</u>	<u>110,451</u>
Other Revenues		
Merchandise sales	120,684	109,029
Affiliate membership fees	9,429	11,415
Training fees	11,820	4,331
Safety management	2,780	598
	<u>\$ 256,716</u>	<u>\$ 235,824</u>

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