

The Royal Life Saving Society - Manitoba Branch Inc.

Financial Statements

For the Year Ended December 31, 2020

The Royal Life Saving Society - Manitoba Branch Inc.
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For the Year Ended December 31, 2020

INDEPENDENT AUDIT REPORT

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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, 2020, 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, 2020, 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.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 10 in the financial statements, which identifies the presumed impact that COVID-19 will have on the subsequent operations and resulting financial position of Organization in the coming year.

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



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
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The Royal Life Saving Society - Manitoba Branch Inc.

Statement of Financial Position

December 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 113,614	\$ 56,307
Short term investments	38,950	107,664
Accounts receivable	192	17,756
Due from government agencies	3,946	-
CEWS receivable (Note 10)	58,756	-
CERS receivable (Note 10)	7,399	-
Inventory	25,319	20,813
Prepaid expenses	4,561	7,878
	<u>252,737</u>	<u>210,418</u>
LONG-TERM INVESTMENTS (Note 4)	48,070	46,836
TANGIBLE CAPITAL ASSETS (Note 3)	13,349	9,941
	<u>\$ 314,156</u>	<u>\$ 267,195</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 11,493	\$ 40,303
Due to government agencies	-	3,014
	<u>11,493</u>	<u>43,317</u>
CANADA EMERGENCY BUSINESS ACCOUNT LOAN (Note 6)	30,000	-
	<u>41,493</u>	<u>43,317</u>
NET ASSETS	<u>272,663</u>	<u>223,878</u>
	<u>\$ 314,156</u>	<u>\$ 267,195</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, 2020

	2020	2019
NET ASSETS - BEGINNING OF YEAR	\$ 223,878	\$ 352,822
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	48,785	(128,944)
NET ASSETS - END OF YEAR	<u>\$ 272,663</u>	<u>\$ 223,878</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, 2020

	2020	2019
REVENUE		
Test fees, sales, and other revenues (Schedule 1)	\$ 155,207	\$ 256,716
Less: Cost of goods sold	<u>(31,786)</u>	<u>(65,341)</u>
	123,421	191,375
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	22,281	24,698
Health Canada	-	54,000
The Winnipeg Foundation	<u>20,000</u>	<u>7,000</u>
	397,881	441,298
	521,302	632,673
EXPENSES		
Advertising and promotion	73,505	81,607
Amortization of tangible capital assets	3,464	2,468
Bad debt expense	831	-
Insurance	6,499	6,303
Interest and bank charges	2,850	3,113
Lifeguard competition	972	9,467
Meetings	125	865
Office expenses	13,655	28,613
Other operating expenses	200	-
Professional fees	18,138	23,519
Programs	112,969	153,403
Rental	45,507	41,467
Repairs and maintenance	12,041	26,734
Salaries and wages	293,315	378,777
Utilities	<u>4,687</u>	<u>5,281</u>
	588,758	761,617
DEFICIENCY OF REVENUES OVER EXPENSES FROM OPERATIONS	(67,456)	(128,944)
OTHER INCOME AND EXPENSES		
10% Wage Subsidy (Note 10)	3,671	-
Canada Emergency Wage Subsidy (Note 10)	95,171	-
CEBA loan forgiveness (Note 6)	10,000	-
Canada Emergency Rent Subsidy (Note 10)	<u>7,399</u>	<u>-</u>
	116,241	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 48,785	\$ (128,944)

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, 2020

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess (deficiency) of revenues over expenses for the year	\$ 48,785	\$ (128,944)
Adjustments for non-cash items:		
Amortization of tangible capital assets	3,464	2,468
CEBA loan forgiveness	(10,000)	-
Changes in non-cash working capital balances:		
Accounts receivable	17,564	15,099
Due from government agencies	(6,960)	924
Inventory	(4,506)	(2,664)
Prepaid expenses	3,317	1,329
Accounts payable and accrued liabilities	(28,810)	23,991
CEWS receivable	(58,756)	-
CERS receivable	(7,399)	-
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	(43,301)	(87,797)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments to acquire tangible capital assets	(6,872)	(7,387)
Payments to acquire short-term investments	-	(52,844)
Proceeds from short-term investments	68,714	-
Payments to acquire long-term investments	(1,234)	-
Proceeds from long-term investments	-	23,613
NET CASH USED BY INVESTING ACTIVITIES	60,608	(36,618)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Canada Emergency Business Account Loan	40,000	-
NET CASH INCREASE (DECREASES) IN CASH AND CASH EQUIVALENTS	57,307	(124,415)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	56,307	180,722
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 113,614	\$ 56,307

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, 2020

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, 2020 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, 2020 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, 2020

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, 2020

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.	2020 Net Book Value	2019 Net Book Value
Communications equipment	\$ 1,600	\$ 1,593	\$ 7	\$ 9
Computer equipment	47,488	41,964	5,524	7,891
Furniture and fixtures	44,288	41,225	3,063	1,975
Lifesaving equipment	9,075	4,320	4,755	66
	\$ 102,451	\$ 89,102	\$ 13,349	\$ 9,941

The Royal Life Saving Society - Manitoba Branch Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2020

4. LONG-TERM INVESTMENTS

	2020	2019
Term deposit with Belgian Alliance Credit Union, earning annual interest of 3.35%, maturing October 17, 2023	\$ 48,070	\$ 46,836

5. LINE OF CREDIT

The Organization has a 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 December 31, 2020.

6. CANADA EMERGENCY BUSINESS ACCOUNT LOAN

During the current fiscal year, the Company applied for and received the Canada Emergency Business Account ("CEBA") loan in the amount of \$40,000 through the Belgian Alliance Credit Union. The loan bears no interest, and if the balance of the loan is repaid on or before December 31, 2022, up to 25% of the loan could be forgiven by the federal government. As the criteria for forgiveness are likely to be realized, \$10,000 in loan forgiveness revenue has been recognized in the current fiscal year.

7. 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 three years are as follows:

2021	\$	41,904
2022	\$	41,904
2023	\$	19,710

The Royal Life Saving Society - Manitoba Branch Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2020

8. 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 line of credit. 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.

9. COMPARATIVE FIGURES

Some figures have been reclassified to conform with the current year's presentation.

The Royal Life Saving Society - Manitoba Branch Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2020

10. COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID- 19) as a global pandemic, which continues to spread in Canada and around the world. As a result of the pandemic, the federal government of Canada and the Province of Manitoba introduced restrictions on travel and commerce that continue to impact operations of organizations across the country.

Management expects to see a decrease in training, course, and affiliate revenues of approximately 50% for the duration of the provincial restrictions on gathering and recreational activity. All staff members continue to work remotely at this time.

During the year, the Organization applied for and received the Canada Emergency Business Account loan for \$40,000 as described in Note 10. The Organization also applied for and received \$3,671 in wage subsidies under the federal 10% Wage Subsidy program. The Organization also applied for \$95,171 in subsidies under the Canada Emergency Wage Subsidy program, of which \$58,756 was receivable at December 31, 2020. The Organization also applied for \$7,399 in subsidies under the Canada Emergency Rent Subsidy program, of which the entire amount was receivable at December 31, 2020.

Due to the high degree of uncertainty surrounding the potential economic consequences of this issue, no reasonable assessment on current and future operations can be estimated by management at this time. The impacts will be accounted for when they are known and may be assessed.

Apart from the items outlined above, management is uncertain of the effects on the Organization's financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance. Management agrees that they may require disclosure in the future financial statements but would not affect the amounts recognized in the December 31, 2020 financial statements.

The Royal Life Saving Society - Manitoba Branch Inc.

For the Year Ended December 31, 2020

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

	2020	2019
Test Fees		
Examiner	\$ 21,736	\$ 55,501
Instructor	9,609	20,947
Lifesaving	11,074	35,555
	<u>42,419</u>	<u>112,003</u>
Other Revenues		
Merchandise sales	72,422	120,684
Affiliate membership fees	7,430	9,429
Training fees	32,936	11,820
Safety management	-	2,780
	<u>\$ 155,207</u>	<u>\$ 256,716</u>

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