
THE ROYAL PHILATELIC SOCIETY OF CANADA

FINANCIAL STATEMENTS
(unaudited)

DECEMBER 31, 2020

BRUCE E. HOUSER

Professional Corporation

CHARTERED PROFESSIONAL ACCOUNTANT

THE ROYAL PHILATELIC SOCIETY OF CANADA

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DECEMBER 31, 2020

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Bruce E. Houser

Professional Corporation

CHARTERED PROFESSIONAL ACCOUNTANT

REVIEW ENGAGEMENT REPORT

To the Board of Directors of
The Royal Philatelic Society of Canada

I have reviewed the accompanying financial statements of The Royal Philatelic Society of Canada that comprise the statement of financial position as at December 31, 2020, and the statement of operations, change in net assets and cash flows for the year then ended, and 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.

Practitioner's Responsibility

My responsibility is to express a conclusion on the accompanying financial statements based on my review. I conducted my review in accordance with Canadian generally accepted standards for review engagements, which require me to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, I do not express an audit opinion on these financial statements.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the financial statements do not present fairly, in all material respects, the financial position of The Royal Philatelic Society of Canada as at December 31, 2020, 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.

BRUCE E. HOUSER Professional Corporation



CHARTERED PROFESSIONAL ACCOUNTANT

Authorized to practise public accounting by the

Institution of Chartered Accountants of Ontario

Toronto, Ontario

March 5, 2021

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THE ROYAL PHILATELIC SOCIETY OF CANADA

STATEMENT OF FINANCIAL POSITION (unaudited)

AS AT DECEMBER 31

| | 2020 | 2019 |
|--|-----------|-----------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 65,820 | \$ 47,838 |
| Government remittances receivable | 1,477 | 2,391 |
| Accounts receivable | - | 5,880 |
| Inventory | 2,331 | 2,447 |
| Prepaid expenses | 1,100 | 518 |
| | 70,728 | 59,074 |
| Capital assets (note 4) | 13,179 | 15,574 |
| | \$ 83,907 | \$ 74,648 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 3,500 | \$ 3,500 |
| Deferred revenue | 44,208 | 33,675 |
| | 47,708 | 37,175 |
| Restricted donations (notes 5, 7) | 1,500 | 1,500 |
| | 49,208 | 38,675 |
| UNRESTRICTED NET ASSETS (note 7) | 34,699 | 35,973 |
| | \$ 83,907 | \$ 74,648 |

Accompanying notes are an integral part of the financial statements

On behalf of the Board

Members _____

Members _____

THE ROYAL PHILATELIC SOCIETY OF CANADA

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (unaudited)

YEAR ENDED DECEMBER 31

| | 2020 | 2019 |
|---|------------------|------------------|
| REVENUES | | |
| Membership fees | \$ 49,417 | \$ 49,767 |
| Interest income | 2,535 | 2,194 |
| Donations | 2,732 | 1,447 |
| | <u>54,684</u> | <u>53,408</u> |
| EXPENDITURES | | |
| Printing costs (note 3) | 24,823 | 20,429 |
| Office and general | 12,803 | 15,662 |
| Professional fees | 3,150 | 3,500 |
| Dues and fees | 2,848 | 2,841 |
| Database costs | 2,706 | 2,469 |
| Insurance | 2,660 | 1,048 |
| Telephone and utilities | 2,425 | 2,291 |
| Amortization | 2,396 | 2,395 |
| Interest and bank charges | 1,810 | 1,920 |
| Travel | 337 | 1,757 |
| Inventory write-down | - | 85 |
| | <u>55,958</u> | <u>54,397</u> |
| DEFICIENCY OF REVENUES OVER EXPENDITURES | (1,274) | (989) |
| BALANCE, BEGINNING OF YEAR | 35,973 | 36,962 |
| BALANCE, END OF YEAR | <u>\$ 34,699</u> | <u>\$ 35,973</u> |

Accompanying notes are an integral part of the financial statements

THE ROYAL PHILATELIC SOCIETY OF CANADA

STATEMENT OF CASH FLOWS (unaudited)

YEAR ENDED DECEMBER 31

| | 2020 | 2019 |
|--|------------|-----------|
| OPERATING ACTIVITIES | | |
| Deficiency of revenues over expenditures | \$ (1,274) | \$ (989) |
| Adjustment for Amortization | 2,396 | 2,395 |
| <hr/> | | |
| Change in non-cash working capital items | 1,122 | 1,406 |
| Decrease in Government remittances receivable | 914 | 625 |
| Decrease (increase) in accounts receivable | 5,880 | (5,880) |
| Decrease (increase) in inventory | 116 | (146) |
| (Increase) decrease in prepaid expenses | (582) | 201 |
| Decrease in accounts payable and accrued liabilities | (1) | (503) |
| Increase (decrease) in deferred revenue | 10,533 | (5,311) |
| <hr/> | | |
| INCREASE (DECREASE) IN CASH | 17,982 | (9,608) |
| CASH, BEGINNING OF YEAR | 47,838 | 57,446 |
| <hr/> | | |
| CASH, END OF YEAR | \$ 65,820 | \$ 47,838 |

Cash and cash equivalents consist of cash on hand and any bank overdraft.

Accompanying notes are an integral part of the financial statements

THE ROYAL PHILATELIC SOCIETY OF CANADA

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

DECEMBER 31, 2020

1. NATURE OF OPERATIONS

The Royal Philatelic Society of Canada was incorporated by Letters Patent issued December 13, 1926 under the Canada Corporations Act. It was continued under the Canada Not-for-Profit Corporations Act on October 22, 2014 under the same name. The society was established to promote and foster the hobby of stamp collecting in Canada. This is accomplished by providing its members with a community that provides an environment where enthusiasts, collectors and philatelists can communicate, meet, conduct exchanges and sales and collectively advance the hobby.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Revenue recognition

The society 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 received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions, which include life membership fees, are recognized as direct increases in net assets.

The society derives the majority of its revenue from annual dues paid by its members. In accounting for this revenue the society uses the completed contract method, which is a method that recognizes revenue only when the rendering of services under a contract is completed or substantially completed. The society considers its services to have been rendered with regards to its annual dues at the end of the calendar year for which the dues were paid. Any annual dues received from members that relate to future periods are setup as deferred revenue and brought into income in accordance with its method of revenue recognition.

(b) Inventory

Inventory is measured at the lower of cost and net realizable value. The cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and costs necessary to make the sale. When the reversal of previously written down inventories is recognized, this reversal is recognized in income.

THE ROYAL PHILATELIC SOCIETY OF CANADA

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

DECEMBER 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

(d) Income taxes

The society is recognized as a not-for-profit organization and as such is exempt from paying income taxes under the Canadian Income Tax Act.

(e) Capital assets

Capital assets are recorded at cost. The company provides for amortization using the following methods at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rate and method is as follows:

| | |
|-------------------|------------------------|
| Exhibition frames | 10 years Straight-line |
|-------------------|------------------------|

(f) Financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

THE ROYAL PHILATELIC SOCIETY OF CANADA

NOTES TO THE FINANCIAL STATEMENTS
(unaudited)

DECEMBER 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(g) Foreign currency transactions

The organization uses the temporal method to translate its foreign currency transactions. Monetary assets and liabilities are translated at the exchange rate in effect at the statement of financial position date. Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Items appearing in the current year's statement of operations are translated at average year rates. Exchange gains and losses are included in the statement of operations.

(h) Impairment of long-lived assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value. Fair value is determined using prices for similar items and the results of other valuation techniques unless there are readily available quoted market prices in an active market in which case that is used to determine fair value.

(i) Contributed materials and services

Services provided by volunteers and members are not reported as an expense in the statement of operations due to the difficulty of determining the fair value of the services provided.

3. RELATED PARTY TRANSACTIONS

The society purchased during the year goods and services from a related party for total consideration of \$24,823 (2019 - \$20,429). The related party oversees the printing and production of its journal *The Canadian Philatelist* as well as generates advertisement revenue from ad placements in the journal. The related party charges the society the net cost of producing the journal, being printing expenses less advertisement revenue.

The two parties are related as certain individuals serve as management and/or board members for both organizations and therefore exert significant influence on the operations of both parties. The purchases were made in the normal course of operations and have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

THE ROYAL PHILATELIC SOCIETY OF CANADA

NOTES TO THE FINANCIAL STATEMENTS (unaudited)

DECEMBER 31, 2020

4. CAPITAL ASSETS

| | 2020 | | 2019 | |
|-------------------|-----------|--------------------------|-----------|-----------|
| | Cost | Accumulated amortization | Net | Net |
| Exhibition frames | \$ 23,959 | \$ 10,780 | \$ 13,179 | \$ 15,574 |

5. RESTRICTED DONATIONS

In 2009 The Royal Philatelic Society of Canada received a donation in the amount of \$1,500 from the St. Catharines Stamp Club. In accordance with the St. Catharines Stamp Club, the donation received was to be used only for providing loans to clubs who would like to host a ROYAL convention. Specifically, the loan is intended to provide the host club with the ability to make a deposit on a venue in which the ROYAL will be hosted. Any loans made to host clubs are to be repaid one (1) month prior to the event and are non-interest bearing. As this donation meets the definition of a restricted contribution it has been setup as deferred revenue, as required using the deferral method of accounting for revenue. At the discretion of the St. Catharine's Stamp Club, if the funds have not been requested at any time by a host club it is authorized to instruct the society to take this restricted donation into general revenue on the 15th anniversary of the original donation which occurs in July 2024.

6. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of the organization's risk exposure as at year-end.

(a) Market risk

Market risk is the risk that 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: currency risk, interest rate risk and other price risk. The organization is mainly exposed to currency risk.

(b) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The organization maintains a US currency bank account which is mainly used to facilitate currency conversion when receiving payments of annual dues or making purchases denominated in US currency. Consequently, cash is exposed to foreign exchange fluctuations. As at December 31, 2020, US currency on hand amounted to \$1,138 (2019 - \$2,620) and has been converted into Canadian dollars at the year-end exchange rate.