

THE ROYAL HERALDRY SOCIETY OF CANADA

Financial Statements

December 31, 2022

(Unaudited)

Draft for discussion purposes only

Prepared by	Detail review	Partner review
MB 3/23/23		MCG 5/08/23

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Directors of The Royal Heraldry Society of Canada

We have reviewed the accompanying financial statements of The Royal Heraldry Society of Canada (the Organization) that comprise the statement of financial position as at December 31, 2022, and the statements of operations, changes 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 enterprises, 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

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us 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, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of The Royal Heraldry Society of Canada 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 enterprises.

Chartered Professional Accountants LLP
Licensed Public Accountants

Markham, Ontario

THE ROYAL HERALDRY SOCIETY OF CANADA

Statement of Financial Position

December 31, 2022

(Unaudited)

	General Fund 2022 \$	Restricted Fund 2022 \$	Education Fund 2022 \$	Beddoe Book Fund 2022 \$	Queen Elizabeth II Statue Fund 2022 \$	Elimination 2022 \$	Total 2022 \$	Total 2021 \$
Assets								
Current								
Cash	18,369	5,331	-	-	-	-	23,700	7,002
Marketable securities <i>(note 3)</i>	-	454,007	-	-	-	-	454,007	695,286
Harmonized sales tax recoverable	1,357	-	-	-	-	-	1,357	1,684
Prepaid expenses	3,086	-	-	-	-	-	3,086	2,997
Advances to general fund	-	109,870	1,796	1,405	2,000	(115,071)	-	-
	22,812	569,208	1,796	1,405	2,000	(115,071)	482,150	706,969
Liabilities								
Current								
Due to broker	-	-	-	-	-	-	-	10,523
Accounts payable and accrued liabilities	15,742	-	-	-	-	-	15,742	17,031
Advances from other funds	115,071	-	-	-	-	(115,071)	-	-
	130,813	-	-	-	-	(115,071)	15,742	27,554
Net assets	(108,001)	569,208	1,796	1,405	2,000	-	466,408	679,415
	22,812	569,208	1,796	1,405	2,000	(115,071)	482,150	706,969

On behalf of the Board

Director

Director

THE ROYAL HERALDRY SOCIETY OF CANADA

Statement of Operations

Year Ended December 31, 2022

(Unaudited)

	General Fund 2022 \$	Restricted Fund 2022 \$	Education Fund 2022 \$	Beddoe Book Fund 2022 \$	Queen Elizabeth II Statue Fund 2022 \$	Total 2022 \$	Total 2021 \$
Revenues <i>(Schedule) (note 7)</i>	28,068	-	-	-	-	28,068	78,580
Expenses							
Branch heraldic projects	15,623	-	-	-	-	15,623	84,922
General and administration	6,720	-	-	-	-	6,720	8,273
Insurance	3,167	-	-	-	-	3,167	2,667
Interest and bank charges	857	497	-	-	-	1,354	897
Meetings	1,996	-	-	-	-	1,996	-
Professional fees	8,500	-	-	-	-	8,500	6,500
Publications	8,787	-	-	-	-	8,787	12,081
Rental	-	-	-	-	-	-	781
	45,650	497	-	-	-	46,147	116,121
Excess (deficiency) of revenues over expenses before the undernoted	(17,582)	(497)	-	-	-	(18,079)	(37,541)
Other income (expense)							
Dividend and interest income <i>(note 7)</i>	-	15,004	-	-	-	15,004	11,175
Gain (loss) on foreign exchange translations <i>(note 7)</i>	-	(10,162)	-	-	-	(10,162)	12,407
Gain (loss) on disposal of marketable securities <i>(note 7)</i>	-	(51,252)	-	-	-	(51,252)	121,527
Change in fair value of marketable securities	-	(148,518)	-	-	-	(148,518)	(69,410)
	-	(194,928)	-	-	-	(194,928)	75,699
Excess (deficiency) of revenues over expenses	(17,582)	(195,425)	-	-	-	(213,007)	38,158

THE ROYAL HERALDRY SOCIETY OF CANADA

Statement of Changes in Net Assets

Year Ended December 31, 2022

(Unaudited)

	General Fund 2022 \$	Restricted Fund 2022 \$	Education Fund 2022 \$	Beddoe Book Fund 2022 \$	Queen Elizabeth II Statue Fund 2022 \$	Total 2022 \$	Total 2021 \$
Balance, beginning	(90,419)	764,633	1,796	1,405	2,000	679,415	641,257
Excess (deficiency) of revenues over expenditures	(17,582)	(195,425)	-	-	-	(213,007)	38,158
Balance, ending	(108,001)	569,208	1,796	1,405	2,000	466,408	679,415

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THE ROYAL HERALDRY SOCIETY OF CANADA

Statement of Cash Flows

Year Ended December 31, 2022

(Unaudited)

	General Fund 2022 \$	Restricted Fund 2022 \$	Education Fund 2022 \$	Beddoe Book Fund 2022 \$	Queen Elizabeth II Statue Fund 2022 \$	Total 2022 \$	Total 2021 \$
Cash flows from operating activities							
Excess (deficiency) of revenues over expenses	(17,582)	(195,425)	-	-	-	(213,007)	38,158
Items not affecting cash:							
Loss (gain) on disposal of investments	-	51,252	-	-	-	51,252	(121,527)
Loss (gain) on foreign exchange translations	-	10,162	-	-	-	10,162	(12,407)
Change in fair value of marketable securities	-	148,518	-	-	-	148,518	69,410
	(17,582)	14,507	-	-	-	(3,075)	(26,366)
Changes in non-cash working capital:							
Harmonized sales tax	327	-	-	-	-	327	103
Deferred contributions	-	-	-	-	-	-	(62,000)
Prepaid expenses	(89)	-	-	-	-	(89)	60,053
Accounts payable and accrued liabilities	(1,290)	-	-	-	-	(1,290)	5,530
	(1,052)	-	-	-	-	(1,052)	3,686
	(18,634)	14,507	-	-	-	(4,127)	(22,680)
Cash flows from investing activities							
Proceeds from sale of marketable securities	-	208,593	-	-	-	208,593	493,914
Acquisition of marketable securities	-	(177,245)	-	-	-	(177,245)	(476,646)
	-	31,348	-	-	-	31,348	17,268
Other cash flow items							
Inter-fund adjustments	30,001	(30,001)	-	-	-	-	-
Increase (decrease) in cash	11,367	15,854	-	-	-	27,221	(5,412)
Cash (deficiency), beginning	7,002	(10,523)	-	-	-	(3,521)	1,891

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THE ROYAL HERALDRY SOCIETY OF CANADA

Statement of Cash Flows *(continued)*

Year Ended December 31, 2022

(Unaudited)

	General Fund 2022 \$	Restricted Fund 2022 \$	Education Fund 2022 \$	Beddoe Book Fund 2022 \$	Queen Elizabeth II Statue Fund 2022 \$	Total 2022 \$	Total 2021 \$
Cash (deficiency), ending	18,369	5,331	-	-	-	23,700	(3,521)
Cash flows supplementary information							
Interest paid	857	497	-	-	-	1,354	897
Cash (deficiency) consists of:							
Cash	18,369	5,331	-	-	-	23,700	7,002
Due to broker	-	-	-	-	-	-	(10,523)
	18,369	5,331	-	-	-	23,700	(3,521)

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THE ROYAL HERALDRY SOCIETY OF CANADA

Notes to Financial Statements

Year Ended December 31, 2022

(Unaudited)

1. PURPOSE OF THE ORGANIZATION

The Royal Heraldry Society of Canada (the "Society") was incorporated without share capital on June 2, 1966 as a charitable organization under Part II of the Canada Corporations Act. It is a registered charity designated as a charitable organization under the Income Tax Act (Canada) and is exempt from income taxes under paragraph 149(1)(f). The mission of the Society is to promote heraldry among Canadians and encourage interest in the art and science of Canadian Heraldry.

The organization actively supports the Canadian Heraldic Authority, the only governing body in Canada that grants arms in Her Majesty's name to Canadians and Canadian Institutions.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles and include the following significant policies:

Revenue recognition

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Income from marketable securities is recorded on the accrual basis in the Restricted Fund and includes interest earned, dividends received and gains or losses on the sale of investments and foreign exchange.

Membership fees are recognized as revenue of the General Fund in the period for which the memberships are granted.

Sales revenue is recognized in the General Fund when the goods are sold and title has passed.

Examination fee revenues are recognized in the General Fund when the examinations are held.

Donation revenues are recognized in the General Fund when received.

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THE ROYAL HERALDRY SOCIETY OF CANADA

Notes to Financial Statements

Year Ended December 31, 2022

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting

The Society follows the restricted fund method of accounting for contributions.

The General Fund reports revenues and expenses related to program delivery and administrative activities.

The Restricted Fund is an internally restricted fund that reports revenues and expenses related to resources allocated for investment in marketable securities.

The Education Fund is an internally restricted fund that reports revenues and expenses related to funding future educational activities about heraldry.

The Beddoe Book Fund is an internally restricted fund that reports revenues and expenses related to amounts received on Ian Campbell's book donations to be used for the publication of the new Beddoe Book.

The Queen Elizabeth II Statue Project is an internally restricted fund that reports revenues and expenses related to funding a statue commemorating the Royal legacy in conjunction with a heraldic aspect of the monument for the education and enjoyment of the public.

Internally restricted funds are allocated resources as specified by the Board of Directors of the Society. Income is allocated and expenses are charged to the restricted funds that they are directly related to, unless specified by the Board of Directors.

Financial instruments

The organization initially measures its financial assets and liabilities at fair value and subsequently measures its financial assets and liabilities at amortized cost except for marketable securities measured at fair value.

Financial assets measured at amortized cost include cash. Financial assets measured at fair value include marketable securities available for sale.

Financial liabilities measured at amortized cost include due to broker and accounts payable and accrued liabilities.

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down from impairment is recognized as a charge against excess of revenues over expenditures.

Cash

Cash is the amount held in the organization's bank account and cash balances on hand in the investment broker's accounts.

Cash is defined as cash on hand, cash on deposit, net of cheques issued and outstanding at the reporting date.

Marketable securities

Marketable securities are classified as held for trading and are stated at market value. Transaction costs that are directly attributable to the acquisition of securities are capitalized to the cost of the related security. Investment purchases and sales transactions are accounted for on the settlement date.

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THE ROYAL HERALDRY SOCIETY OF CANADA

Notes to Financial Statements

Year Ended December 31, 2022

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions

Transactions denominated in a foreign currency have been translated at the rate of exchange in effect on the date of the transaction. Monetary items included on the balance sheet have been translated at the rate of exchange in effect as at the balance sheet date. Gains and losses on translations of foreign currencies are included in income.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and 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. Estimates are used when accounting for allowance for doubtful accounts and accrued liabilities. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in excess of revenues over expenditures in the period in which they become known.

Contributed services

The organization receives voluntary services from time to time. Since these services are not normally purchased by the organization and, because of the difficulty in determining the fair value of services received, these contributed services are not recognized in these financial statements. Members of the Board of Directors of the Society serve without remuneration.

3. MARKETABLE SECURITIES

	2022	2021
	\$	\$
<u>At cost</u>		
Equities	361,229	355,712
Mutual funds	149,836	248,114
Total	<u>511,065</u>	<u>603,826</u>
<u>At fair market value</u>		
Equities	315,853	378,033
Mutual funds	138,154	317,253
Total	<u>454,007</u>	<u>695,286</u>

THE ROYAL HERALDRY SOCIETY OF CANADA

Notes to Financial Statements

Year Ended December 31, 2022

(Unaudited)

4. RESTRICTED FUND

The Board of Directors has internally restricted \$181,000 plus any accumulated change in value of the fund, for financing the activities of the Society.

The Board determines, on an annual basis, the amount of income to spend. Any income that is not used for the Society's activities is added to the fund and becomes part of the restricted fund.

The Board periodically reviews its portfolio investments to determine if the restricted balance, investment risk, and projected income levels are appropriate.

5. FINANCIAL INSTRUMENTS RISK EXPOSURES

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposures and concentrations at the statement of financial position date:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The organization is sometimes exposed to credit risk on its accounts receivable. The organization mitigates this risk by adopting credit policies which include the regular review of their credit limits.

Liquidity risk

Liquidity risk is the risk that the organization will not be able to meet a demand for cash or fund its obligations as they come due as a result of the organization's inability to liquidate assets in a timely manner and at a reasonable price.

The organization is exposed to liquidity risk and mitigates this risk by being aware of inflows and outflows of cash and investing in short term bonds and mutual funds.

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 conditions. Market risk comprises three types of risk: currency rate risk, interest rate risk and price risk.

(i) 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 is exposed to foreign currency exchange risk on cash and marketable securities held in U.S. dollars, British Pound Sterling and European Euros. The organization reduces its exposure to foreign currency risk by limiting the percentage that its investment portfolio can hold in a foreign currency.

At year end, marketable securities denominated in a foreign currency had market values as follows:

	2022	2021
	\$	\$
US Dollar	<u>43,789</u>	<u>200,787</u>
European Euro	<u>-</u>	<u>31,969</u>

(continues ...)

THE ROYAL HERALDRY SOCIETY OF CANADA

Notes to Financial Statements

Year Ended December 31, 2022

(Unaudited)

5. FINANCIAL INSTRUMENTS RISK EXPOSURES *(continued)*

Market risk (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The organization is sometimes exposed to interest rate risk primarily through its holding of debt instruments whose values fluctuate with the market interest rates.

The organization minimizes the risks from interest rate fluctuations by managing exposure through its normal operating activities and diversification of its investment portfolios. Society has significantly decreased to foreign holdings in its portfolio.

(iii) Price risk

Price risk refers to the risk that the fair market value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar instruments traded in the market. The organization is exposed to price risk through its investment in quoted shares.

Changes in risk

The Society has had an decrease in its exposure to the US Dollar and European Euro.. Other than these changes, there have been no other significant changes in the organization's risk exposures.

6. COVID-19

COVID-19 has continued to have a significant impact on the Canadian and global economy. This is an evolving situation which has limited economic activity in certain industries. Due to uncertainty surrounding the length and extent of the COVID-19 impact on the organization and its memberships, there could be a significant effect on the organization's financial position and ability to realize on its assets. The organization experienced significant volatility in its portfolio funds, the values have decreased to below cost. Management is continuing to monitor the situation, but is unable to quantify the potential impact on the organization's operations as at the date of these financial statements.

7. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the presentation adopted for the current year.

THE ROYAL HERALDRY SOCIETY OF CANADA

Schedule - Revenues

Year Ended December 31, 2022

(Unaudited)

	General Fund 2021 \$	Restricted Fund 2021 \$	Education Fund 2021 \$	Beddoe Book Fund 2021 \$	Queen Elizabeth II Statue Fund 2021 \$	Total 2021 \$	Total 2020 \$
Membership revenues							
General	16,115	-	-	-	-	16,115	10,785
Institutional	1,741	-	-	-	-	1,741	1,040
Student	193	-	-	-	-	193	130
	<u>18,049</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,049</u>	<u>11,955</u>
Non-membership revenues							
Donations	8,868	-	-	-	-	8,868	64,055
Examination and certification fees	740	-	-	-	-	740	2,280
Sales - merchandise	411	-	-	-	-	411	290
	<u>10,019</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,019</u>	<u>66,625</u>
	<u>28,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,068</u>	<u>78,580</u>

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