

THE NAVAL ASSOCIATION OF CANADA
L'ASSOCIATION NAVALE DU CANADA

FINANCIAL STATEMENTS
DECEMBER 31, 2021
(Unaudited)

DRAFT

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Members of
The Naval Association of Canada L'Association Navale du Canada

We have reviewed the accompanying financial statements of The Naval Association of Canada L'Association Navale du Canada that comprise the statement of financial position as at December 31, 2021 and the statements of activities and changes in fund balances, and cash flow 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

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 these financial statements do not present fairly, in all material respects, the financial position of The Naval Association of Canada L'Association Navale du Canada as at December 31, 2021, and the results of its changes in fund balances, activities and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

Victoria, BC

June xx, 2022

Allen & Krauel Inc.

Chartered Professional Accountants

THE NAVAL ASSOCIATION OF CANADA L'ASSOCIATION NAVALE DU CANADA

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2021 (Unaudited)

	2021	2020
ASSETS		
Current		
Cash	\$ 224,797	\$ 266,217
Investments (note 3)	98,998	76,695
Accounts receivable	331,250	-
GST/HST recoverable	8,017	7,835
Inventory	7,212	7,880
Prepaid expenses	13,313	19,564
	683,587	378,191
Endowment fund - externally restricted (note 4)		
Cash	44,272	52,759
Investments	1,132,066	1,004,485
Accounts receivable	2,868	3,328
	1,179,206	1,060,572
Tangible capital assets (note 5)		
	1	1
	\$ 1,862,794	\$ 1,438,764
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 10,769	\$ 7,193
- Endowment fund	3,920	-
Deferred revenue	46,362	10,000
	61,051	17,193
NET ASSETS		
General fund - unrestricted	626,457	360,999
Endowment fund - externally restricted (note 6)	1,175,286	1,060,572
	1,801,743	1,421,571
	\$ 1,862,794	\$ 1,438,764

Approved by the directors

_____ Director

_____ Director

THE NAVAL ASSOCIATION OF CANADA L'ASSOCIATION NAVALE DU CANADA

STATEMENT OF ACTIVITIES AND CHANGES IN FUND BALANCES GENERAL FUND YEAR ENDED DECEMBER 31, 2021 (Unaudited)

	2021	2020
Revenue		
Donations received	\$ 350,888	\$ 25,900
Membership revenues	30,845	27,070
Memorabilia sales	1,126	2,325
	382,859	55,295
Expenses		
Naval affairs	85,430	85,884
Starshell publication	14,638	15,595
General office expenses	13,897	2,844
Professional fees	10,930	7,486
Fundraising	8,896	16,199
Executive director stipend	4,520	5,650
Website	1,703	1,288
Insurance	1,436	1,056
Membership and liaison	918	2,458
Presentations and awards	844	858
Cost of memorabilia	668	1,744
Travel and meeting expenses	579	2,156
	144,459	143,218
Excess (deficiency) of revenue over expenses before other items	238,400	(87,923)
Investment income	27,058	4,964
Excess (deficiency) of revenue over expenses	265,458	(82,959)
Fund balance, beginning of year	360,999	443,958
Fund balance, end of year	\$ 626,457	\$ 360,999

THE NAVAL ASSOCIATION OF CANADA L'ASSOCIATION NAVALE DU CANADA

STATEMENT OF ACTIVITIES AND CHANGES IN FUND BALANCES ENDOWMENT FUND

YEAR ENDED DECEMBER 31, 2021

(Unaudited)

	2021	2020
Revenue		
Investment income	\$ 155,197	\$ 67,533
Donations	44,173	114,678
	199,370	182,211
Expenses		
Grants paid (note 7)	48,000	38,000
Hampton Gray memorial	34,763	57,357
Postal and administrative costs	1,832	1,477
Bank charges	61	10
	84,656	96,844
Excess of revenue over expenses	114,714	85,367
Fund balance, beginning of year	1,060,572	975,205
Fund balance, end of year	\$ 1,175,286	\$ 1,060,572

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THE NAVAL ASSOCIATION OF CANADA L'ASSOCIATION NAVALE DU CANADA

**STATEMENT OF CASH FLOW
GENERAL FUND
YEAR ENDED DECEMBER 31, 2021
(Unaudited)**

	2021	2020
Operating activities		
Excess (deficiency) of revenue over expenses	\$ 265,458	\$ (82,959)
Add (deduct) charges to operations not requiring a current cash payment:		
Unrealized gain on investments	(21,261)	(581)
	244,197	(83,540)
Net change in non-cash working capital balances:		
Accounts receivable	(331,250)	-
GST/HST recoverable	(182)	(1,836)
Inventory	668	(4,303)
Prepaid expenses	6,251	(18,892)
Accounts payable	3,576	(1,216)
Deferred revenue	36,362	10,000
Cash used in operating activities	(40,378)	(99,787)
Investing activities		
Purchase of investments	(1,042)	(1,679)
Net decrease in cash during the year	(41,420)	(101,466)
Cash position, beginning of year	266,217	367,683
Cash position, end of year	\$ 224,797	\$ 266,217

Cash position consists of unrestricted cash on deposit.

THE NAVAL ASSOCIATION OF CANADA L'ASSOCIATION NAVALE DU CANADA

**STATEMENT OF CASH FLOW
ENDOWMENT FUND
YEAR ENDED DECEMBER 31, 2021
(Unaudited)**

	2021	2020
Operating activities		
Excess of revenue over expenses	\$ 114,714	\$ 85,367
Add (deduct) charges to operations not requiring a current cash payment:		
Unrealized gain on investments	(99,567)	(52,889)
Realized gain on investments	(42,655)	(1,179)
	(27,508)	31,299
Net change in non-cash working capital balances:		
Accounts receivable	460	(954)
Accounts payable and accrued liabilities	3,920	(2,000)
	(23,128)	28,345
Investing activities		
Proceeds from disposition of investments	14,641	10,200
Net (decrease) increase in cash during the year	(8,487)	38,545
Cash position, beginning of year	52,759	14,214
Cash position, end of year	\$ 44,272	\$ 52,759

Cash position consists of restricted cash on deposit as disclosed in note 4.

THE NAVAL ASSOCIATION OF CANADA L'ASSOCIATION NAVALE DU CANADA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
(Unaudited)

1. Purpose of the organization

The Naval Association of Canada L'Association Navale du Canada is dedicated to promoting national awareness of Canada as a maritime nation with vital interests in our three oceans and the role of the maritime power, and in particular, the role the Canadian Forces plays in their preservation and protection. The objective is pursued through seminars, publications, speaking engagements, media commentaries and public meetings.

The Naval Association of Canada L'Association Navale du Canada is incorporated under the Canada Not-for-Profit Corporations Act and is a registered charity under the Income Tax Act.

2. Significant accounting policies

The financial statements of the association have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. Items subject to estimation and assumptions include inventory valuation and amortization of tangible capital assets.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Fund accounting

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

The general fund reports operating revenue and expenses related to the association's educational and promotional activities.

The endowment fund reports fundraising revenue and expenses related to the association's declaration of trust of the endowment fund.

Inventory

Inventory is valued at the lower of cost and net realizable value.

THE NAVAL ASSOCIATION OF CANADA L'ASSOCIATION NAVALE DU CANADA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021
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2. Significant accounting policies (continued)

Restricted cash, accounts receivable, and investments

Restricted cash, accounts receivable, and investments are recorded at market value.

Tangible capital assets

Tangible capital assets are stated at cost and are amortized in full in the year of acquisition, and carried at a nominal book value of \$1.00 as set out in note 5.

Revenue recognition

Revenue from seminars, public meetings, publications, memberships, and memorabilia sales is recognized when the service is performed.

Externally restricted contributions of the endowment fund and unrestricted contributions of the general fund are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Changes in market value of restricted and unrestricted investments are recognized in net income in the period incurred.

Financial Instruments

Measurement of financial instruments

The association initially measures its financial assets and liabilities at fair value. The association subsequently measures all its financial assets and liabilities at amortized cost, with the exception of investments and restricted investments which remain at fair value.

Financial assets, restricted and unrestricted, measured at amortized cost include cash, accounts receivable, restricted cash, and restricted account receivable. Financial liabilities, restricted and unrestricted, measured at amortized cost include, accounts payable and accrued liabilities.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down or subsequent reversal, if any, is recognized in net income.

THE NAVAL ASSOCIATION OF CANADA L'ASSOCIATION NAVALE DU CANADA

NOTES TO THE FINANCIAL STATEMENTS
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2. Significant accounting policies (continued)

Transaction costs

The association recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

3. Investments

The association records its investments at market value. Changes in market value are recognized in net income in the period incurred. Investments are summarized as follows:

	2021		2020	
	Cost	Market Value	Cost	Market Value
Common shares	20,906	40,561	20,296	29,710
Mutual funds	14,732	23,253	14,411	18,203
Foreign securities	1,054	35,184	943	28,782
	<u>\$ 36,692</u>	<u>\$ 98,998</u>	<u>\$ 35,650</u>	<u>\$ 76,695</u>

THE NAVAL ASSOCIATION OF CANADA L'ASSOCIATION NAVALE DU CANADA

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021 (Unaudited)

4. Restricted cash, investments and accounts receivable - Endowment fund

The association records its restricted cash and investments at market value. Changes in market value are recognized in net income in the period incurred. The restricted cash and investments are summarized as follows:

	2021		2020	
	Cost	Market Value	Cost	Market Value
Cash	\$ 44,272	\$ 44,272	\$ 52,759	\$ 52,759
Investments				
Money market	19,059	19,059	13,993	14,000
Common shares	386,127	770,878	325,689	602,880
Fixed income	333,208	330,189	357,020	363,771
Trust units	8,894	11,940	8,894	10,218
Exchange traded funds	-	-	13,739	13,616
	747,288	1,132,066	719,335	1,004,485
	\$ 791,560	\$ 1,176,338	\$ 772,094	\$ 1,057,244

The association records its restricted accounts receivable at amortized cost. Included in restricted accounts receivable are \$1,782 (2020 - \$1,725) in donations receivable and \$1,086 (2020 - \$1,604) in GST/HST recoverable.

5. Tangible capital assets

	Cost	Accumulated Amortization	Net Book Value		Amortization Rate
			2021	2020	
Furniture and fixtures	\$ 718	\$ 717	\$ 1	\$ 1	100%

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6. Endowment fund - externally restricted

In 1983, the association established a trust known as the NAC Endowment Fund (formerly the NOAC Endowment Fund, name changed June 2013). The objective of the fund is to promote and maintain interest in maritime affairs generally, and particularly in the maritime affairs of Canada. Amounts contributed for this purpose have been set aside in an externally restricted endowment fund after deducting related costs.

7. Grants paid

The following organizations were the beneficiaries of funding grants from the association:

	2021	2020
NAC Ottawa - Multifaith Housing Initiative	\$ 8,000	\$ -
NAC Ottawa - RCSCEF Scholarships	5,000	5,000
NAC Nova Scotia - HMCS Sackville	5,000	-
NAC Victoria - BC Maritime Museum	5,000	-
NAC Montreal - various	5,000	-
NAC Toronto - HMCS York Monument	5,000	-
NAO British Columbia - Shipbuilder statue	3,000	5,000
NAC Victoria - Broadmead Care Society	3,000	4,000
NAC Edmonton - Quadra Education Foundation	3,000	3,000
NAC Ottawa - Canadian War Museum	2,500	-
NAC Winnipeg - Naval Museum of Manitoba	2,000	-
NAC Nova Scotia - Bursary	1,500	-
NAC Toronto - Monument at HMCS York	-	5,000
NAC National - New Brunswick Naval Memorial	-	5,000
NAC Naval Affairs - Educational publications	-	5,000
NAC Toronto - Navigation facility	-	4,000
NAC Newfoundland - Crow's Nest Officers' Club	-	2,000
	\$ 48,000	\$ 38,000

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8. Financial instruments and risk management

The association's financial instruments, restricted and unrestricted, consist of cash, investments, accounts receivable, and accounts payable and accrued liabilities. Transactions in financial instruments may result in financial risks being assumed by the association. The risks identified by the association are as follows:

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.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk that the association will encounter difficulty in meeting obligations associated with financial liabilities.

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.

It is management's opinion that the association is not exposed to significant credit, interest, liquidity or market risk arising from these financial instruments.