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# **The Royal Philatelic Society of Canada**

## **FINANCIAL STATEMENTS**

*(Unaudited)*

**December 31, 2022**

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**BRUCE E. HOUSER**

Professional Corporation

CHARTERED PROFESSIONAL ACCOUNTANT

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# **The Royal Philatelic Society of Canada**

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*(Unaudited)*

**December 31, 2022**

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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, 2022, 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, 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 organizations.

**BRUCE E. HOUSER PROFESSIONAL CORPORATION**



CHARTERED PROFESSIONAL ACCOUNTANT

Toronto, Ontario  
May 5, 2023

Authorized to practise public accounting by the Institute of  
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# The Royal Philatelic Society of Canada

## Statement of Financial Position

(Unaudited)

As at December 31

|  |        | 2022    | 2021      |
|--|--------|---------|-----------|
| <b>Current Assets:</b>                   |        |         |           |
| Cash                                     | \$     | 66,145  | \$ 48,361 |
| Guaranteed investment certificates       |        | 35,681  | 35,256    |
| Accounts receivable                      |        | 201     | -         |
| Government remittances receivable        |        | 1,930   | -         |
| Inventory                                | Note 6 | 4,138   | 2,288     |
| Prepaid expenses                         |        | 13,754  | 8,507     |
|  |        | 121,849 | 94,412    |
| <b>Capital assets</b>                    |        |         |           |
|  | Note 3 | 8,389   | 10,784    |
|  |        | 130,238 | 105,196   |
| <b>Current Liabilities:</b>              |        |         |           |
| Accounts payable and accrued liabilities |        | 4,730   | 3,500     |
| Government remittances payable           |        | -       | 1,432     |
| Deferred revenue                         |        | 36,999  | 39,911    |
|  |        | 41,729  | 44,843    |
| <b>Restricted donations</b>              |        |         |           |
|  | Note 4 | 1,500   | 1,500     |
|  |        | 43,229  | 46,343    |
| <b>Unrestricted net assets</b>           |        |         |           |
|  |        | 87,009  | 58,853    |
|  |        | 130,238 | 105,196   |

Related parties (Note 5)

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

# The Royal Philatelic Society of Canada

## Statement of Operations and Changes in Net Assets

(Unaudited)

For the Year Ended December 31

|   | 2022         | 2021      |
|---|--------------|-----------|
| <b>Revenues:</b>                        |              |           |
| Membership fees                         | \$ 46,191    | \$ 47,990 |
| Sponsorship revenue                     | 19,010       | 2,250     |
| Donations                               | 8,112        | 3,747     |
| Book sales                              | 6,700        | -         |
| Interest and other income               | 1,466        | 1,697     |
|   | 81,479       | 55,684    |
| <b>Cost of sales</b>                    | 5,136        | -         |
| <b>Gross profit</b>                     | 76,343       | 55,684    |
| <b>Expenses:</b>                        |              |           |
| Office and general                      | 15,332       | 13,827    |
| Printing costs                          | Note 5 8,842 | 3,126     |
| Exhibition costs                        | 5,527        | -         |
| Inventory write-down                    | Note 6 4,468 | -         |
| Professional fees                       | 3,150        | 3,150     |
| Dues and fees                           | 2,862        | 2,694     |
| Database costs                          | 2,626        | 3,076     |
| Amortization                            | 2,395        | 2,395     |
| Interest and bank charges               | 1,884        | 1,907     |
| Telephone and utilities                 | 1,101        | 1,355     |
|   | 48,187       | 31,530    |
| <b>Excess of revenues over expenses</b> | 28,156       | 24,154    |
| <b>Balance, Beginning of year</b>       | 58,853       | 34,699    |
| <b>Balance, End of year</b>             | 87,009       | 58,853    |

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

# The Royal Philatelic Society of Canada

## Statement of Cash Flows

(Unaudited)

For the Year Ended December 31

|  | 2022      | 2021      |
|--|-----------|-----------|
| <b>Operating activities:</b>                             |           |           |
| Excess of revenues over expenses                         | 28,156    | 24,154    |
| Adjustment for non-cash items:                           |           |           |
| Amortization   | 2,395     | 2,395     |
|  | 30,551    | 26,549    |
| Change in non-cash working capital items:                |           |           |
| (Increase) decrease in government remittances receivable | (1,930)   | 1,477     |
| Increase in guaranteed investment certificates           | (425)     | (20,023)  |
| Increase in accounts receivable                          | (201)     | -         |
| (Increase) decrease in inventory                         | (1,850)   | 43        |
| Increase in prepaid expenses                             | (5,247)   | (7,407)   |
| Increase in accounts payable and accrued liabilities     | 1,230     | -         |
| (Decrease) increase in government remittances payable    | (1,432)   | 1,432     |
| Decrease in deferred revenue                             | (2,912)   | (4,297)   |
|  | (12,767)  | (28,775)  |
| <b>Investing activities:</b>                             |           |           |
| Additions to capital assets                              | -         | -         |
|  | -         | -         |
| <b>Financing activities:</b>                             |           |           |
| Loan advances  | -         | -         |
|  | -         | -         |
| <b>Increase (decrease) in cash</b>                       | 17,784    | (2,226)   |
| <b>Cash, beginning of year</b>                           | 48,361    | 50,587    |
| <b>Cash, end of year</b>                                 | \$ 66,145 | \$ 48,361 |

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

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# The Royal Philatelic Society of Canada

## Notes to the Financial Statements

(Unaudited)

December 31, 2022

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### 1. Nature of operations

The Royal Philatelic Society of Canada ("RPSC") 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 RPSC 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. Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). ASNPO requires the RPSC to select accounting policies appropriate for their circumstances. The following are the policies selected by the RPSC and applied in these financial statements:

#### (a) Revenue recognition

The RPSC 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 RPSC derives the majority of its revenue from annual dues paid by its members. In accounting for this revenue the RPSC 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 RPSC 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 estimated costs of completion and the estimated costs necessary to make the sale. When inventories are sold, the carrying amount of those inventories are recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value is recognized as an expense in the period the write-down occurs.

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# The Royal Philatelic Society of Canada

## Notes to the Financial Statements

(Unaudited)

December 31, 2022

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### 2. Basis of accounting (continued)

#### (c) Capital assets

Capital assets are recorded at cost. The RPSC 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 methods are as follows:

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

#### (d) Accounting estimates

The preparation of financial statements in accordance with ASNPO 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.

#### (e) Income taxes

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

#### (f) Financial instruments

The RPSC 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, guaranteed investment certificates and receivables. 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.

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# The Royal Philatelic Society of Canada

## Notes to the Financial Statements

(Unaudited)

December 31, 2022

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### 2. Basis of accounting (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) 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. Capital assets

|                   |        |                             | 2022              | 2021              |
|-------------------|--------|-----------------------------|-------------------|-------------------|
|                   | Cost   | Accumulated<br>amortization | Net Book<br>Value | Net Book<br>Value |
| Exhibition frames | 23,959 | (15,570)                    | 8,389             | 10,784            |
|                   | 23,959 | (15,570)                    | 8,389             | 10,784            |

### 4. Restricted donations

In 2009 the RPSC 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.

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# The Royal Philatelic Society of Canada

## Notes to the Financial Statements

(Unaudited)

December 31, 2022

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### 5. Related parties

The RPSC purchased during the year goods and services from a related party for total consideration of \$8,842 (2021 - \$3,126). The related party oversees the printing and production of its journal The Canadian Philatelist and generates advertisement revenue from ad placements in the journal. The related party charges the RPSC 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 RPSC controls the Canadian Association of Philatelic Exhibitions ("CAPE"). CAPE is a non-share capital corporation that was established to support philatelic exhibiting and is a registered charity under the Income Tax Act. The RPSC exerts control over CAPE as some of the currently serving officers of the RPSC are voting members of CAPE. CAPE has not been consolidated in the financial statements of the RPSC. The financial summary of CAPE as at December 31, 2022 and 2021 and for the years then ended is as follows:

#### Canadian Association of Philatelic Exhibitions

|   | 2022       | 2021       |
|---|------------|------------|
| <b><u>Financial Position</u></b>  |            |            |
| Total assets  | \$ 126,296 | \$ 243,641 |
| Total liabilities   | 1,044      | 205,500    |
| Total net assets (a)  | 125,252    | 38,141     |
| <i>(a) Includes a restricted donation of \$4,125 known as the Ron Brigham Award Fund.</i> |            |            |
| <b><u>Results of Operations</u></b>   |            |            |
| Total revenues  | \$ 437,545 | \$ 39,024  |
| Total expenses  | 350,434    | 13,839     |
| Excess of revenue over expenses   | 87,111     | 25,185     |
| <b><u>Cash Flows</u></b>  |            |            |
| Cash from operations  | (69,747)   | 155,100    |
| Cash, beginning of year   | 191,584    | 36,484     |
| Cash, end of year   | 121,837    | 191,584    |

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# **The Royal Philatelic Society of Canada**

## **Notes to the Financial Statements**

*(Unaudited)*

**December 31, 2022**

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### **6. Inventory**

In the current year the RPSC undertook the printing of a book titled 'Lets Talk Exhibiting'. The book started selling in June 2022 and book sales are handled by Trajan Publishing for a 10% commission. The book sales have significantly decreased in the latter part of 2022 and it is the opinion of management that the net realizable value of the remaining books on hand is below its original cost. On this basis management has determined that a write-off of the books to their net realizable value was required resulting in an inventory write-down of \$4,468.

### **7. Comparative figures**

The financial statements have been reclassified, where applicable, to conform to the presentation used in the fiscal year. The changes do not affect prior year earnings.