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**NATIONAL POLICE FEDERATION / FÉDÉRATION DE LA POLICE NATIONALE**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

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# NATIONAL POLICE FEDERATION / FÉDÉRATION DE LA POLICE NATIONALE

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DECEMBER 31, 2019

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## INDEPENDENT AUDITORS' REPORT

To the Members of National Police Federation / Fédération de la Police Nationale:

### Opinion

We have audited the financial statements of National Police Federation / Fédération de la Police Nationale (the "Federation"), which comprise the statement of financial position as at December 31, 2019, and the statements of revenue and expenditures, changes in 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 Federation as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO).

### 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 Federation 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.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with ASNFPPO, 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 these financial statements, management is responsible for assessing the Federation's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Federation or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Federation'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 auditors' 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.



## INDEPENDENT AUDITORS' REPORT (continued)

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 Federation'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 Federation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Federation 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.

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 the audit.

A handwritten signature in black ink that reads 'Logan Katz LLP'. The signature is written in a cursive, flowing style.

Chartered Professional Accountants  
Licensed Public Accountants

Ottawa, Canada  
June 28, 2020

# NATIONAL POLICE FEDERATION / FÉDÉRATION DE LA POLICE NATIONALE

## STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ -	\$ 161,807
Prepaid expenditures	86,462	1,550
	86,462	163,357
<b>INVESTMENT - EXTERNALLY RESTRICTED (Note 2)</b>	15,105	15,079
<b>INTANGIBLE ASSETS (Note 3)</b>	36,788	36,788
	\$ 138,355	\$ 215,224

<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Bank indebtedness (Note 6)	\$ 372,009	\$ -
Accounts payable and accrued liabilities (Notes 4, 7 and 8)	559,629	176,433
Demand loans (Note 7)	1,855,000	1,605,000
	2,786,638	1,781,433
<b>NET ASSETS (DEFICIENCY)</b>		
Externally restricted (Note 2)	15,105	15,079
Unrestricted	(2,663,388)	(1,581,288)
	(2,648,283)	(1,566,209)
	\$ 138,355	\$ 215,224

Related party (Note 5)  
 Financial instruments (Note 8)  
 Subsequent events (Note 9)

ON BEHALF OF THE BOARD:

\_\_\_\_\_, Director

\_\_\_\_\_, Director

# NATIONAL POLICE FEDERATION / FÉDÉRATION DE LA POLICE NATIONALE

## STATEMENT OF REVENUE AND EXPENDITURES

YEAR ENDED DECEMBER 31, 2019

	2019	2018
<b>REVENUE</b>		
Support contributions	\$ 11,861	\$ 6,360
Interest	587	135
	<u>12,448</u>	<u>6,495</u>
<b>EXPENDITURES</b>		
Advertising and promotion	156,354	144,945
Bank charges and interest	1,582	1,521
Insurance	2,862	2,862
Interest on demand loans	38,224	26,593
Office and supplies	4,065	381
Professional fees	623,850	225,079
Subcontractors	16,709	22,637
Telecommunications	3,514	2,880
Travel	61,786	45,606
Wages and benefits	185,576	140,097
	<u>1,094,522</u>	<u>612,601</u>
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	<u>\$ (1,082,074)</u>	<u>\$ (606,106)</u>

# NATIONAL POLICE FEDERATION / FÉDÉRATION DE LA POLICE NATIONALE

## STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2019

	2019			2018
	Externally restricted	Unrestricted	Total	Total
<b>BALANCES AT BEGINNING OF YEAR</b>	\$ 15,079	\$ (1,581,288)	\$ (1,566,209)	\$ (960,103)
Excess of expenditures over revenues	26	(1,082,100)	(1,082,074)	(606,106)
<b>BALANCES AT END OF YEAR</b>	<b>\$ 15,105</b>	<b>\$ (2,663,388)</b>	<b>\$ (2,648,283)</b>	<b>\$ (1,566,209)</b>

# NATIONAL POLICE FEDERATION / FÉDÉRATION DE LA POLICE NATIONALE

## STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of expenditures over revenues	\$ (1,082,074)	\$ (606,106)
Changes in non-cash operating working capital:		
Prepaid expenditures	(84,912)	-
Accounts payable and accrued liabilities	383,196	85,025
	(783,790)	(521,081)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(26)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from demand loans	250,000	600,000
<b>(DECREASE) INCREASE IN CASH</b>	(533,816)	78,919
Cash at beginning of year	161,807	82,888
<b>(BANK INDEBTEDNESS) CASH AT END OF YEAR</b>	\$ (372,009)	\$ 161,807



# NATIONAL POLICE FEDERATION / FÉDÉRATION DE LA POLICE NATIONALE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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### GENERAL

National Police Federation/Fédération de la Police Nationale (the "Federation") was incorporated on February 29, 2016 as a not-for-profit organization without share capital under the Canada Not-for-profit Corporations Act, and as such, is exempt from income taxes. The Federation's objective is to establish a well-researched, professional and respectable employee organization for members of the Royal Canadian Mounted Police ("RCMP") to join as their sole collective bargaining agent. The mission is to provide strong, fair and progressive representation to promote and enhance the rights of RCMP members.

In April 2017, the Federation filed an application for certification as sole collective bargaining agent with the Federal Public Sector Labour Relations and Employment Board (the "FPSLREB"). The FPSLREB held a secret ballot representation vote before an applicant employee organization can be certified as a bargaining agent. In November 2018, a certification vote took place which recognized the Federation obtaining a 97% majority of the certification vote. On July 12, 2019 the Federation received certification with FPSLREB and subsequently served The Treasury Board of Canada with Notice to Bargain. As a result, a Memorandum of Agreement between Treasury Board and the Federation was finalized to recognize the Federation as the exclusive bargaining agent for all members as described in the certificate issued by FSLREB.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO) and include the following significant accounting policies:

#### Revenue Recognition

The Federation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenditures 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.

#### *Support Contributions*

Support contributions are recognized as revenue in the period which the support contributions are received.

#### *Investment Income*

Investment income includes interest income earned on investments held and is recognized as revenue in the period earned.

#### Cash and Cash Equivalents

The Federation's policy is to present bank balances and term deposits with a maturity period of three months or less from the date of acquisition as cash and cash equivalents.

# NATIONAL POLICE FEDERATION / FÉDÉRATION DE LA POLICE NATIONALE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial Instruments

##### *Measurement of financial instruments*

The Federation initially measures its financial assets and liabilities at fair value.

The Federation subsequently measures all its financial assets and financial liabilities at amortized cost, except for the investment which is carried at cost plus accrued interest.

Financial assets measured at amortized cost include cash and investment.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and demand loans.

##### *Impairment*

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 revenue and expenditures. 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 revenue and expenditures.

##### *Transaction costs*

Transaction costs are financing fees or costs that are directly attributable to the financial assets or financial liabilities origination, acquisition, issuance or assumption. Transaction costs relating to financial assets or financial liabilities that are carried at amortized cost are netted against the carrying value of the assets or liabilities and then recognized over the expected life of the instrument using the effective interest method. All other transaction costs are recognized in the statement of revenue and expenditures in the period incurred.

#### Intangible Assets

Intangible assets, as detailed in Note 3, are recorded at cost and are not currently being amortized. The useful lives of these assets will be estimated and their amortization will begin upon certification of the Federation as the bargaining agent for members of the RCMP, at which time it is anticipated that these assets will be able to fully perform their intended functions.

#### Use of Estimates

These financial statements have been prepared by management in accordance with ASNFPO and accordingly, require management to make estimates and assumptions that affect the reported amounts 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 expenditures during the reporting period.

# NATIONAL POLICE FEDERATION / FÉDÉRATION DE LA POLICE NATIONALE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Use of Estimates (continued)

Actual results could differ from these estimates. The significant estimates in the financial statements include certain accrued liabilities.

### 2. INVESTMENT - EXTERNALLY RESTRICTED

The investment is a \$15,000 (2018 - \$15,000) non-redeemable guaranteed investment certificate, which earns interest at an annual rate of 1.5%, maturing in June 2020. The interest earned on the investment is included in the balance. The Federation's investment is externally restricted because it is pledged as security for a credit facility.

### 3. INTANGIBLE ASSETS

	2019			2018	
	Cost	Accumulated Amortization	Net	Net	
Mobile application	\$ 25,404	\$ -	\$ 25,404	\$ 25,404	
Website	11,384	-	11,384	11,384	
	\$ 36,788	\$ -	\$ 36,788	\$ 36,788	

### 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Federation has government remittances owing at year end of \$16,968 (2018 - \$5,679) which have been included in accounts payable and accrued liabilities.

### 5. RELATED PARTY

The Federation is related to National Police Federation Benevolent Foundation/Fondation Bienvillante De La Police Nationale by virtue of them being controlled by the same group of board members.

There were no related party transactions during the year.

# NATIONAL POLICE FEDERATION / FÉDÉRATION DE LA POLICE NATIONALE

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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### 6. BANK INDEBTEDNESS

#### Line of credit

The Federation has an authorized temporary limit (expiring February 2020) of \$505,000 (2018 - \$5,000) line of credit bearing interest at a chartered bank prime rate plus 1.07% per annum, of which \$135,000 (2018 - \$5,000) remained unused as at December 31, 2019. The line of credit is secured by a general security agreement on the Federation's personal property.

#### Bank indebtedness

Bank indebtedness includes a balance of \$2,009 which represents net cheques issued in excess of cash on hand.

### 7. DEMAND LOANS

- (i) In 2016, the Federation entered into a loan agreement with the Mounted Police Members' Legal Fund ("MPMLF") pursuant to which the MPMLF committed to advance the Federation a principal amount of \$980,000. The Federation received an additional advance of \$600,000 in the prior year with an additional \$250,000 received during the current year, increasing the principal amount to \$1,830,000 as at December 31, 2019.

The loan bears interest at 2% per annum, interest is payable annually, and the loan is payable on demand.

- (ii) In 2016, the Federation entered into a loan agreement with the Mounted Police Association of Ontario ("MPAO") pursuant to which the MPAO advanced the Federation a principal amount of \$25,000. The loan bears interest at 2% per annum and principal and accrued interest is payable on demand. The accrued interest has been waived by the MPAO. The loan has no further fixed terms of repayment or stated maturity date.

Accrued interest pertaining to the demand loan of \$88,768 (2018 - \$52,957) is included in accounts payable and accrued liabilities.

### 8. FINANCIAL INSTRUMENTS

#### Risks

The Federation is exposed to various risks through its financial instruments, without being exposed to credit, currency, interest rate or concentrations of credit. The following analysis provides a measure of the Federation's risk exposure at the balance sheet date:

#### 8. FINANCIAL INSTRUMENTS (continued)

##### Risks (continued)

##### *Liquidity Risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Federation is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and demand loans. The Federation manages its liquidity risk by monitoring its operating requirements through the use of budget and cash forecasts.

##### Credit Facility

The Federation has access to \$25,000 of credit on credit cards, bearing interest at 19.99% per annum. The credit used as at December 31, 2019 amounts to \$8,191 (2018 - \$3,497) and is included in accounts payable and accrued liabilities.

#### 9. SUBSEQUENT EVENTS

In January 2020, the Federation confirmed its first elected Board of Directors and appointed bargaining, audit, nomination, member services and human rights committees. Effective January 29, 2020, the Federation began collection of member dues and set forth board governance standards and fiscal policies to advance operations and adapt a consistent framework required to support the mission of the Federation.

The MPAO and MPMLF demand loans have been paid in full subsequent to year end.