

RSCDS Toronto Scottish Country Dance Association

Financial Statements

December 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Members of RSCDS Toronto Scottish Country Dance Association

Qualified Opinion

We have audited the financial statements of RSCDS Toronto Scottish Country Dance Association ("Association"), which comprise the statement of financial position as at December 31, 2018, and the statements of revenues and expenses, changes in accumulated surplus and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of RSCDS Toronto Scottish Country Dance Association as at December 31, 2018, 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.

Basis for Qualified Opinion

In common with many non-profit organizations, the Association derives revenue from various sources, mainly donations, membership fees and fees charged for classes and various other events organized by the Association. The completeness of the above mentioned revenues are not susceptible to satisfactory audit verification. Accordingly, our verification of these sources of revenue was limited to the amounts recorded in the records of the Association. We were unable to obtain sufficient appropriate audit evidence over and were consequently unable to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, current assets and net assets.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company 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 qualified 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 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.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

INDEPENDENT AUDITORS' REPORT - continued

Auditors' 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 Association'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 Association'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 Association 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 our audit.

Williams & Partners

Chartered Professional Accountants LLP
Licensed Public Accountants

Markham, Ontario
March 13, 2019

RSCDS Toronto Scottish Country Dance Association

Statement of Financial Position

December 31, 2018

	2018	2017
	\$	\$
Assets		
Current		
Cash	42,558	42,424
Memorial cash (note 4)	7,136	8,025
Term deposits (note 5)	12,246	29,616
Inventory	360	498
Sundry receivables	3,693	2,740
Prepaid expenses	12,648	20,247
	<u>78,641</u>	<u>103,550</u>
Term deposits (note 5)	<u>17,685</u>	<u>-</u>
	<u>96,326</u>	<u>103,550</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	8,174	5,854
Deferred revenue	18,744	22,554
Deferred contributions (note 4)	7,136	8,025
Government remittances payable	400	1,257
	<u>34,454</u>	<u>37,690</u>
Accumulated Surplus		
Unrestricted	<u>61,872</u>	<u>65,860</u>
	<u>96,326</u>	<u>103,550</u>

On behalf of the Board

Director

Director

See accompanying notes

1.

RSCDS Toronto Scottish Country Dance Association

Statement of Revenue and Expenses

year ended December 31, 2018

	<i>2018</i>	<i>2017</i>
	\$	\$
Revenues		
Core activities (schedule)	61,045	70,284
Demonstration dances	1,660	2,285
Donations and other	3,401	4,011
Membership fees	20,699	21,955
Merchandise sales	97	2,238
	<u>86,902</u>	<u>100,773</u>
Expenses		
Administration	3,030	3,064
Annual general meeting	1,565	1,669
Communications and publicity	2,580	2,332
Core activities (schedule)	67,179	73,632
Demonstration dances	679	539
Insurance	1,033	1,055
Memberships	10,214	11,484
Merchandise cost of sales	193	2,407
Professional fees	4,000	5,000
Volunteer recognition	417	192
	<u>90,890</u>	<u>101,374</u>
Excess of revenues over expenses (expenses over revenues)	<u>(3,988)</u>	<u>(601)</u>

RSCDS Toronto Scottish Country Dance Association
Statement of Changes in Accumulated Surplus
year ended December 31, 2018

	<i>Unrestricted</i>	<i>2018</i>	<i>2017</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>
Balance, beginning	65,860	65,860	66,461
Excess of revenues over expenses (expenses over revenues)	(3,988)	(3,988)	(601)
Balance, ending	61,872	61,872	65,860

RSCDS Toronto Scottish Country Dance Association

Statement of Cash Flows

year ended December 31, 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
Cash flows from operating activities		
Excess of revenues over expenses (expenses over revenues)	(3,988)	(601)
Net change in non-cash working capital items	3,548	(4,363)
	(440)	(4,964)
Cash flows from investing activity		
Purchase of term deposits	(315)	(108)
Increase (decrease) in cash	(755)	(5,072)
Cash, beginning	50,449	55,521
Cash, ending	49,694	50,449
Cash consists of the following:		
Cash	42,558	42,424
Memorial cash	7,136	8,025
	49,694	50,449

RSCDS Toronto Scottish Country Dance Association

Notes to Financial Statements

December 31, 2018

1. PURPOSE OF ASSOCIATION

The purpose of RSCDS Toronto Scottish Country Dance Association ("RSCDS") is to promote Scottish country dancing, to educate and increase the public's understanding and appreciation of Scottish country dancing and to encourage the presentation of Scottish country dancing in co-operation with the Royal Scottish Country Dance Society in Scotland. RSCDS was incorporated without share capital on November 2, 2001.

Under the Income Tax Act, the Association is classified as a not-for-profit organization and, as such, is not subject to income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Revenue recognition

RSCDS 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.

Membership fees are recognized on an accrual basis. The Association recognizes all other revenue at the time that products and services are provided.

Financial instruments

The Association initially measures its financial assets and liabilities at fair value and subsequently measures all its financial assets and liabilities at amortized cost.

Financial assets measured at amortized cost include cash, memorial cash, term deposits and sundry receivables are also recorded at amortized cost which approximates fair market value.

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 any write-down from impairment is recognized as a charge to the statement of revenues and expenses.

Donated services

The work of the Association is dependant on the voluntary work of many members and the board of directors. The value of the donated services is not recognized in these statements.

RSCDS Toronto Scottish Country Dance Association

Notes to the Financial Statements

December 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Inventory

Inventory consists of books and other merchandise available for sale as a method of fund raising. Inventory is stated at the lower of cost and net realizable value, cost being determined on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business less the estimated selling costs.

Prepaid expenses

Prepaid expenses are recorded for goods and services being received in the next fiscal year but paid for in the current fiscal year. The balance at year end represents amounts paid for facility rent, memberships, insurance, name tags and deposits made for various upcoming events.

Use of estimates

The preparation of the Association's financial statements, in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the year. Estimates are used when making allowances for bad debts and accrued liabilities. Due to the inherent uncertainty involved with making such estimates, actual results could differ from those reported. As adjustments become necessary, they are reported in revenues and expenses in the period in which they become known.

3. FINANCIAL INSTRUMENTS RISK EXPOSURES

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

Credit risk

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

The Association is exposed to credit risk on its accounts receivable from its various members and third parties. In order to reduce its credit risk, the Association has adopted credit policies which include advance payment for classes and memberships.

Liquidity risk

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

The Association is exposed to liquidity risk and mitigates this risk by preparing and monitoring detailed budgets, collecting revenues in advance and holding assets that can be readily converted to cash.

RSCDS Toronto Scottish Country Dance Association

Notes to the Financial Statements

December 31, 2018

3. FINANCIAL INSTRUMENTS RISK EXPOSURES - continued

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all securities traded in the market. Market risk comprises three types of risk: currency risk, interest rate risk and price risk. The Association is not exposed to 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. A portion of the Association's expenses are denominated in British pounds. As a result, the Association is exposed to currency risk.

(ii) Interest rate risk

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

The Association is exposed to interest rate cash flow risk on a term deposit bearing interest at a floating rate as described in note 5.

The Association is exposed to interest rate price risk on a term deposit bearing interest at a fixed rate as described in note 5.

Changes in risk

There have been no significant changes in the Association's risk exposures from the prior year.

4. MEMORIAL CASH AND DEFERRED CONTRIBUTIONS

Memorial cash represents unspent resources that the board has set aside in memory of former dancers until an appropriate memorial expenditure is incurred.

	<i>2018</i>	<i>2017</i>
	<i>\$</i>	<i>\$</i>
Deferred contributions		
Beginning balance	8,025	8,025
Less amounts recognized related to funding of certain expenses	(889)	-
	<u>7,136</u>	<u>8,025</u>

5. TERM DEPOSITS

Term deposits are comprised of Canadian guaranteed investment certificates bearing interest at a fixed rate of 0.07% and a variable rate of bank prime rate less 2.60% per annum, and maturing on January 11, 2021 and February 8, 2019 respectively.

RSCDS Toronto Scottish Country Dance Association

Schedule of Core Activities

year ended December 31, 2018

	<i>Revenue</i>	<i>Expense</i>	<i>2018</i>	<i>2017</i>
	<i>\$</i>	<i>\$</i>	<i>Net</i>	<i>Net</i>
			<i>\$</i>	<i>\$</i>
Association workshop	10,123	11,188	(1,065)	(678)
Dancing in the Park	3,229	4,318	(1,089)	(1,349)
Education and training	15,709	13,252	2,457	4,394
Lottery	795	48	747	721
Monthly dances	8,286	11,623	(3,337)	(231)
Special events	274	58	216	(3,402)
Tartan Ball	21,673	25,068	(3,395)	(2,759)
Youth ball	956	1,624	(668)	(44)
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	61,045	67,179	(6,134)	(3,348)
