

Financial statements of

**The Mounted Police Members'  
Legal Fund -  
Fonds de recours juridique  
des membres de la gendarmerie**

March 31, 2016

# **The Mounted Police Members' Legal Fund - Fonds de recours juridique des membres de la gendarmerie**

March 31, 2016

## Table of contents

Independent Auditor's Report .....	1-2
Statement of revenue and expenses and changes in net assets.....	3
Balance sheet .....	4
Statement of cash flows .....	5
Notes to the financial statements .....	6-7

## Independent Auditor's Report

To the Directors of  
The Mounted Police Members' Legal Fund -  
Fonds de recours juridique des membres de la gendarmerie

We have audited the accompanying financial statements of The Mounted Police Members' Legal Fund - Fonds de recours juridique des membres de la gendarmerie (the "Fund") which comprise the balance sheet as at March 31, 2016, and the statements of revenue and expenses and changes in net assets, and of 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 controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2016 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.

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants

December 05, 2016

# The Mounted Police Members' Legal Fund - Fonds de recours juridique des membres de la gendarmerie

Statement of revenue and expenses and changes in net assets  
year ended March 31, 2016

	2016	2015
	\$	\$
<b>Revenue</b>		
Members' fees	1,723,784	1,659,897
Less: GST/HST (Note 3)	(194,795)	(183,937)
Net members' fees	1,528,989	1,475,960
Interest	63,266	73,860
	<b>1,592,255</b>	<b>1,549,820</b>
<b>Expenses</b>		
Audit fee	10,419	10,037
Consulting	92,664	82,791
Insurance	4,199	4,280
Legal fees (Note 4)	1,303,940	607,089
Miscellaneous expenses	54,469	16,585
Printing and translation	3,148	22,009
Secretary/Treasurer's fees	92,500	92,000
Travel	1,772	4,271
	<b>1,563,111</b>	<b>839,062</b>
Excess of revenue over expenses	29,144	710,758
Net assets, beginning of year	5,643,401	4,932,643
<b>Net assets, end of year</b>	<b>5,672,545</b>	<b>5,643,401</b>

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

# The Mounted Police Members' Legal Fund - Fonds de recours juridique des membres de la gendarmerie

Balance sheet  
as at March 31, 2016

	2016	2015
	\$	\$
<b>Current assets</b>		
Cash	7,473,319	7,246,653
Interest receivable	5,149	5,853
Membership fee receivable	191,542	-
Court awards receivable	41,968	-
Prepaid expenses	2,100	2,100
	<b>7,714,078</b>	<b>7,254,606</b>
<b>Current liabilities</b>		
Accrued liabilities (Note 3)	2,041,533	1,611,205
<b>Net assets</b>	<b>5,672,545</b>	<b>5,643,401</b>
	<b>7,714,078</b>	<b>7,254,606</b>

Approved by the Board

 Director

 Director

# The Mounted Police Members' Legal Fund - Fonds de recours juridique des membres de la gendarmerie

Statement of cash flows  
year ended March 31, 2016

	2016	2015
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses	29,144	710,758
Changes in non-cash working capital items		
Interest receivable	704	122
Membership fee receivable	(191,542)	-
Court awards receivable	(41,968)	4,354
Prepaid expenses	-	81
Accrued liabilities	430,328	173,249
Net increase in cash	226,666	888,564
Cash, beginning of year	7,246,653	6,358,089
<b>Cash, end of year</b>	<b>7,473,319</b>	<b>7,246,653</b>

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

# The Mounted Police Members' Legal Fund - Fonds de recours juridique des membres de la gendarmerie

Notes to the financial statements

March 31, 2016

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## 1. Purpose of the organization

The Mounted Police Members' Legal Fund - Fonds de recours juridique des membres de la gendarmerie (the "Fund") is a not-for-profit organization aimed at promoting the improvement of member conditions of employment or work by providing funds to: resolve issues between the Fund's Members and the Government of Canada; to provide the appropriate action to protect the dignity or welfare of its members and to research, investigate, explore, analyze, examine and collect information as well as hiring outside counsel in respect of the aforementioned issues.

The Fund was incorporated February 14, 1997 under the Canada Corporations Act and commenced operation March 1, 1997. It is a registered not-for-profit organization under the Income Tax Act and, as such, is exempt from income tax.

On April 6, 2009, the Ontario Superior Court ruled on the Royal Canadian Mounted Police ("RCMP") Staff Relations Representative Program ("SRRP") and as a result of the Court's decision, the SRRP might either have needed to be changed or cease to exist. The Fund's by-laws and organizational structure is heavily dependent on the current SRRP and, therefore, any material change or disappearance on the part of the SRRP, would likely result in the dissolution of the Fund. The ruling was appealed by the Attorney General of Canada and on June 1, 2012 the Court of Appeal for Ontario released their decision in relation to the challenge. In short, the Court of Appeal for Ontario announced that the SRRP is compliant with the *Charter of Rights and Freedoms* and is a legitimate representational body.

This decision was however subject to appeal and the Applicants have submitted a Notice of Application for Leave to Appeal to the Supreme Court of Canada ("SCC"). This matter was heard by the SCC on February 18, 2014. Their finding was that the current Staff Relations Program lacked "Collective Bargaining". They gave the Royal Canadian Mounted Police and the Government of Canada one year to come up with a Program that included that finding.

As a result of the ruling, the Commissioner of the RCMP decided to terminate the SRRP effective May 17, 2016 and, as a temporary solution until members could agree on a permanent representative unit, established the Member Workplace Services Program. The decision to terminate the SRRP has resulted in the need for significant change to the Fund's Bylaws, which are being worked upon diligently.

## 2. Significant accounting policies

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

### *Revenue*

The Fund uses the deferral method of accounting for contributions. Under this method, revenue and expenses are reflected in the accounts in the period in which they have been earned and incurred respectively, whether or not such transactions have been finally settled by the receipt or payment of money.

Public Works and Government Services Canada is responsible for collecting members' fees and remitting them to the Fund on a regular basis.

Members' fees are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

### *Financial instruments*

All financial assets and liabilities are initially measured at fair value and subsequently are measured at amortized cost, with the exception of cash which is measured at fair value.

# The Mounted Police Members' Legal Fund - Fonds de recours juridique des membres de la gendarmerie

Notes to the financial statements

March 31, 2016

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## 2. Significant accounting policies (continued)

### *Financial instruments (continued)*

#### Fair value

The fair value of interest receivable, membership fee receivable, court awards receivable and accrued liabilities approximate their carrying value due to their short-term maturity. It is management's opinion that the Fund is not exposed to significant credit, market or liquidity risks arising from these financial instruments.

#### *Use of estimates*

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates and assumptions made by management include assumptions used in estimating the accrued liabilities. Actual results could differ from these estimates.

## 3. Potential liability for GST/HST

The Fund has been advised by the Canada Revenue Agency that Members' fees are subject to goods and services tax. The Fund is appealing this interpretation of the Act but has accrued a cumulative amount of \$1,709,445 as the estimated tax liability as at March 31, 2016 (2015 - \$1,514,650) in the event the appeal is unsuccessful.

## 4. Legal fees

	2016	2015
	\$	\$
Legal fees	1,370,908	922,562
Less amounts recovered during the year	(66,968)	(315,473)
	<b>1,303,940</b>	<b>607,089</b>

## 5. Capital management

The Fund's objectives when managing capital are to safeguard its ability to continue as a not-for-profit organization. Capital consists of Net assets. The Fund monitors its capital by reviewing various financial metrics such as monthly financial statements. There has been no change in the Fund's definition of capital or its objectives from the previous year.

The Fund is not subject to any externally imposed capital restrictions.

## 6. Subsequent event

On May 1, 2016, the Fund entered into a loan agreement with the National Police Federation (the "borrower"), to provide the borrower with a demand loan at a rate of interest at 2%.