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

March 31, 2019

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Independent Auditor's Report

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

Opinion

We have audited the 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, 2019, and the statements of revenue and expenses, 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2019, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Fund 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 the 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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund'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 auditor's 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 GAAS 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.

As part of an audit in accordance with Canadian GAAS, 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 Fund'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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Fund 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
October 8, 2019

**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, 2019

	Notes	2019 \$	2018 \$
Revenue			
Members' fees		451,173	407,852
Less: Goods and Services Tax/ Harmonized Sales Tax	4	(45,368)	(44,503)
Net members' fees		405,805	363,349
Interest		112,275	82,852
		518,080	446,201
Expenses			
Audit fee		10,459	10,459
Consulting		50,072	75,695
Insurance		4,199	4,199
Legal fees	5	988,191	1,139,744
Miscellaneous expenses		64,276	57,944
Printing and translation		4,543	3,904
Secretary/Treasurer's fees		124,618	100,917
Travel		1,014	1,424
		1,247,372	1,394,286
Deficiency of revenue over expenses		(729,292)	(948,085)
Net assets, beginning of year		3,778,882	4,726,967
Net assets, end of year		3,049,590	3,778,882

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

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

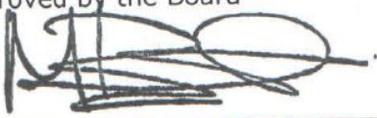
Balance sheet

As at March 31, 2019

	Notes	2019 \$	2018 \$
Assets			
Current assets			
Cash		3,370,546	4,604,991
Interest receivable		76,877	45,558
Court awards receivable		50,000	5,000
Prepaid expenses		2,100	2,100
		3,499,523	4,657,649
Loans receivable	3	1,830,000	1,330,000
		5,329,523	5,987,649
Liabilities			
Current liabilities			
Accrued liabilities	4	2,168,803	2,098,233
Deferred membership fee		111,130	110,534
		2,279,933	2,208,767
Net assets			
		3,049,590	3,778,882
		5,329,523	5,987,649

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

Approved by the Board


_____, Director
M. BOUTIN 46759


_____, Director

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

Statement of cash flows

Year ended March 31, 2019

	2019	2018
	\$	\$
Operating activities		
Deficiency of revenue over expenses	(729,292)	(948,085)
Changes in non-cash working capital items		
Interest receivable	(31,319)	(23,714)
Membership fee receivable		—
Court awards receivable	(45,000)	22,080
Accrued liabilities	70,570	160,551
Deferred membership fee	596	26,416
	(734,445)	(762,752)
Investing activity		
Issuance of loan receivable	(500,000)	(350,000)
Net decrease in cash	(1,234,445)	(1,112,752)
Cash, beginning of year	4,604,991	5,717,743
Cash, end of year	3,370,546	4,604,991

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

**The Mounted Police Members' Legal Fund -
Fonds de recours juridique des membres de la gendarmerie**
Notes to the financial statements
March 31, 2019

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 By-laws.

On May 4th, 2018, the By-law 2/2018 was adopted by the members during the annual general meeting of the Mounted Police Members' Legal Fund. This By-law impacted the eligibility criteria to become a member of the Fund along with a change in the membership fee.

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.

Members' fees are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Membership fees are recognized based on the year to which they relate.

2. Significant accounting policies (continued)

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.

Fair value

The fair value of interest receivable and accrued liabilities approximate their carrying value due to their short-term maturity. The fair value of the loans receivable cannot be determined given the lack of specific terms of repayment. 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 valuation of the loan receivable and amount certain accrued liabilities, including the GST/HST provision. Actual results could differ from these estimates.

3. Loan receivable

On May 1, 2016, the Fund entered into a loan agreement with the National Police Federation for an amount of \$980,000. On January 5, 2018, the Fund entered into a second loan agreement with the National Police Federation for an amount of \$350,000. On September 22, 2018, the Fund entered into a third loan agreement with the National Police Federation for an amount of \$500,000. Thus bringing the total loan receivable balance as at March 31, 2019 to \$1,830,000 (\$1,330,000 in 2018) plus accrued interest receivable thereon of \$70,970 (\$39,165 in 2018). The loans are on demand and bear interest at 2%.

Although the loan could be called at anytime by the Fund within a 60-day notice, management does not intend to call the loan until the National Police Federation is in a position to repay the loans and as such, the loans have been classified as long-term on the statement of financial position.

4. Potential liability for Goods and Services Tax/Harmonized Sales Tax

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 \$1,825,899 as the estimated tax liability as at March 31, 2019 (\$1,780,531 in 2018) in the event the appeal is unsuccessful.

**The Mounted Police Members' Legal Fund -
Fonds de recours juridique des membres de la gendarmerie**
Notes to the financial statements
March 31, 2019

5. Legal fees

	2019	2018
	\$	\$
Legal fees	1,082,092	1,212,198
Less: amounts recovered during the year	(93,901)	(72,454)
	988,191	1,139,744

6. 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.