

Financial Statements of

**THE ROYAL ASTRONOMICAL  
SOCIETY OF CANADA**

**LA SOCIÉTÉ ROYALE D'ASTRONOMIE  
DU CANADA**

December 31, 2020

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## INDEPENDENT AUDITOR'S REPORT

To the Members of  
**The Royal Astronomical Society of Canada /  
La Société Royale D'Astronomie Du Canada**

### Qualified Opinion

We have audited the financial statements of The Royal Astronomical Society of Canada / La Société Royale D'Astronomie Du Canada ("the Society") which comprise the balance sheet as at December 31, 2020, 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.

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 the Society as at December 31, 2020, 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 Qualified Opinion

In common with many charitable organizations, the Society derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenses, and cash flows from operations for the years ended December 31, 2020 and 2019, current assets as at December 31, 2020 and 2019, and unrestricted net assets as at January 1 and December 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended December 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

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 Society 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 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 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.

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 Society'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 doubt on the Society'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 Society 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.

TORONTO, Ontario  
April 21, 2021



Licensed Public Accountants

**THE ROYAL ASTRONOMICAL SOCIETY OF CANADA**  
**LA SOCIÉTÉ ROYALE D'ASTRONOMIE DU CANADA**

Balance Sheet

As at December 31 2020 2019

**Assets**

Current			
Cash	\$	275,219	\$ 161,605
Accounts receivable		25,977	19,680
Loan receivable from SkyNews Inc. (note 5)		4,500	18,000
Inventory		34,028	34,483
Prepaid expenses		8,010	20,838
		<b>347,734</b>	<b>254,606</b>

Long term			
Investments (note 4)		529,319	593,655
Investment in SkyNews Inc. (note 5)		136,990	134,566
Loan receivable from SkyNews Inc. (note 5)		-	4,500
Capital assets (note 6)		91,351	64,391
Collections (note 7)		34,646	20,782
		<b>792,306</b>	<b>817,894</b>
		<b>\$ 1,140,040</b>	<b>\$ 1,072,500</b>

**Liabilities**

Current liabilities			
Accounts payable and accrued liabilities	\$	34,641	\$ 43,861
Deferred revenue			
Membership fees for ensuing years		163,119	141,607
Journal subscriptions		23,550	30,111
Unamortized life membership fees (note 8)		13,252	15,902
		<b>234,562</b>	<b>231,481</b>
Loan payable (note 9)		40,000	-
		<b>274,562</b>	<b>231,481</b>

**Net Assets**

Unrestricted			
Internally restricted (note 12)		312,739	295,585
		<b>552,739</b>	<b>545,434</b>
		<b>865,478</b>	<b>841,019</b>
		<b>\$ 1,140,040</b>	<b>\$ 1,072,500</b>

Commitments (note 11)

On behalf of the Board:

A Robyn Foret President

CCarr Treasurer

**THE ROYAL ASTRONOMICAL SOCIETY OF CANADA****LA SOCIETE ROYALE D'ASTRONOMIE DU CANADA**

## Statement of Changes in Net Assets

Year ended December 31	Internally Restricted (note 12)	Unrestricted	2020	2019
Balance, beginning of year	\$ 545,434	\$ 295,585	\$ 841,019	\$ 958,189
Excess of revenue over expenses (expenses over revenue) for the year	-	24,459	24,459	(117,170)
Transfers (note 12)	7,305	(7,305)	-	-
Balance, end of year	\$ 552,739	\$ 312,739	\$ 865,478	\$ 841,019

See accompanying notes to financial statements.

**THE ROYAL ASTRONOMICAL SOCIETY OF CANADA**  
**LA SOCIÉTÉ ROYALE D'ASTRONOMIE DU CANADA**

Statement of Revenue and Expenses

Year ended December 31	2020	2019
<b>Revenue</b>		
Membership fees	\$ 243,050	\$ 228,200
Publication sales	241,459	251,231
Grants (note 10)	224,640	175,000
Donations	113,840	102,847
Miscellaneous	9,001	13,780
Investment income	8,921	62,775
SkyNews Inc.	2,424	(64,171)
General assembly	-	56,490
	<b>843,335</b>	<b>826,152</b>
<b>Expenses</b>		
National operations (note 13)	246,950	282,257
Member services (note 13)	233,774	206,826
Publications	135,155	129,780
Programming		
Centre support / public outreach (note 13)	109,487	139,085
Youth Outreach and education	46,076	61,824
Robotic telescope	24,152	30,771
Telescope museum	16,460	22,622
Light pollution prevention (note 13)	6,822	4,628
General assembly	-	65,529
	<b>818,876</b>	<b>943,322</b>
<b>Excess of revenue over expenses (expenses over revenue) for the year</b>	<b>\$ 24,459</b>	<b>\$ (117,170)</b>

**THE ROYAL ASTRONOMICAL SOCIETY OF CANADA**  
**LA SOCIÉTÉ ROYALE D'ASTRONOMIE DU CANADA**

Statements of Cash Flows

Year ended December 31	2020	2019
Cash provided (used) by operating activities		
Excess of revenue over expenses (expenses over revenue) for the year	\$ 24,459	\$ (117,170)
Charges not requiring a current cash payment or receipt		
Amortization of capital and intangible assets	19,684	20,220
Amortization of life membership fees	(2,650)	(2,650)
SkyNews Inc. (income) loss	(2,424)	64,171
	<b>39,069</b>	<b>(35,429)</b>
Changes in non-cash working capital components		
Accounts receivable	(6,297)	40,197
Inventory	455	(12,476)
Prepaid expenses	12,828	1,824
Accounts payable and accrued liabilities	(9,222)	(12,449)
Deferred revenue	14,951	13,708
	<b>51,784</b>	<b>(4,625)</b>
Cash provided (used) by investing activities		
Investments (net)	64,336	76,607
Loan to SkyNews Inc. (net of repayments)	18,000	(22,500)
Purchase of capital and intangible assets	(46,642)	(4,437)
Purchase of items for collections	(13,864)	(20,781)
	<b>21,830</b>	<b>28,889</b>
Cash provided (used) by financing activities		
Proceeds from loan (note 9)	60,000	-
Loan forgiveness (note 9)	(20,000)	-
	<b>40,000</b>	<b>-</b>
Increase in cash during the year	<b>113,614</b>	<b>24,264</b>
Cash, beginning of year	<b>161,605</b>	<b>137,341</b>
Cash, end of year	<b>\$ 275,219</b>	<b>\$ 161,605</b>

# THE ROYAL ASTRONOMICAL SOCIETY OF CANADA

# LA SOCIÉTÉ ROYALE D'ASTRONOMIE DU CANADA

Notes to Financial Statements

December 31, 2020

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## 1 Organization

The Royal Astronomical Society of Canada / La Société Royale D'Astronomie Du Canada ("the Society") is a Canadian corporation without share capital and a registered charitable organization, incorporated for the purpose of stimulating interest in and promoting astronomy and related sciences. The Society is not subject to income taxes pursuant to exemptions accorded to registered charities in the income tax legislation.

## 2 Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

### a) Cash

Cash includes cash on hand and deposits in financial institutions.

### b) Investments

The Society has elected to value all investments, with the exception of the investment in SkyNews Inc., at fair value, which is based on quoted market values.

### c) Investment in SkyNews Inc.

The Society purchased SkyNews Inc., a private corporation, on June 29, 2015 to further the Society's mission. SkyNews Inc. publishes a highly regarded magazine which provides an excellent source of educational information on astronomy and allied sciences to the public.

The Society owns 100% of the shares of SkyNews Inc., a profit oriented entity, and accordingly controls the corporation. The Society has elected to account for the investment using the equity method.

### d) Inventory

Inventory is comprised of publications and promotional items for re-sale and is carried at the lower of cost and net realizable value. Cost is determined on an average cost basis.

### e) Collections

Collections are capitalized in the Society's balance sheet but not amortized. Collections consist of a library and the Dorner Telescope Museum. The library is recognized at a nominal value. The museum collection is recognized at cost as items are purchased. Costs incurred to maintain these collections are expensed as incurred.

### f) Capital assets

Capital assets are recorded at cost. Cost comprises the purchase price and any directly attributable cost of preparing the asset for its intended use.

A capital asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized in the statement of revenue and expenses when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the capital asset exceeds its fair value. An impairment loss is not reversed if the fair value of the capital asset subsequently increases. As at December 31, 2020, no such impairment exists.

Amortization is provided over the estimated useful lives of the assets using the straight-line basis as follows:

Tangible assets:	Telescope	7 years
	Computer hardware	3 years
	Office furniture	10 years
	Leasehold improvements	15 months
Intangible assets:	Software	5 - 10 years
	Website development	3 years, 1/2 in year of acquisition



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**2 Significant accounting policies continued**

g) Revenue recognition

i) Membership fees

Membership fees received in the first half of the year are recognized during the current year. Those received in the second half of the year are recorded as deferred revenue and recognized in the following year. The Society previously offered life memberships to members. Life memberships received in prior years were credited to unamortized life membership fees liability account, as described in note 8. The unamortized life membership fees are being recognized as revenue evenly over 10 years to 2025.

ii) Contributions

The Society follows the deferral method of accounting for contributions. 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.

iii) Investment income

Investment income is recognized on an accrual basis. Changes in the unrealized gain or loss on investments, being the difference between cost and fair value, is recognized in investment income for the year.

iv) Subscriptions and publications

Journal subscription revenues are amortized into income over the subscription period. Publications are recognized as revenue when shipped.

h) Contributed services

The Society is dependant on the voluntary services of many individuals. The value of donated services is not recognized in these financial statements.

i) Allocation of common expenses

The Society allocates a number of its expenses by function: national operations, member services and public outreach. The costs of each function include an allocation of the costs of personnel, fundraising and computer and IT costs.

Personnel costs are allocated based on the number of hours spent on each function; fundraising expenses are allocated primarily to national operations as the majority of cost relates to general fundraising activities. Smaller portions are allocated to member services and public outreach for expenses related to fundraising for Centres and communications with members. Computer and IT costs are allocated based on the estimated usage of technology by each function.

j) Management estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the impairment of financial assets and the useful lives of capital assets. All estimates are reviewed periodically and adjustments are made to the statement of operations as appropriate in the year they become known.

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**LA SOCIÉTÉ ROYALE D'ASTRONOMIE DU CANADA**

Notes to Financial Statements  
December 31, 2020

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**2 Significant accounting policies continued**

k) Financial instruments

i) Measurement

The Society initially measures its financial assets and financial liabilities at fair value. The Society subsequently measures all its financial assets and financial liabilities at amortized cost except for its investments which are measured at fair value. Changes in fair value are recognized in the statement of revenue over expenses for the year.

Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

ii) Impairment

At the end of each reporting period, the Society assesses whether there are any indications that a financial asset measured at amortized cost may be impaired.

When there is an indication of impairment, the Society determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset and it reduces the carrying amount of the asset to the highest of the following: i) the present value of the cash flows expected to be generated by holding the asset discounted using a current market rate of interest appropriate to the asset; ii) the amount that could be realized by selling the asset at the statement of financial position date; and iii) the amount the Society expects to realize by exercising its rights to any collateral held to secure repayment of the asset net of all costs necessary to exercise those rights. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the reduction is recognized as a bad debt in the statement of revenue and expenses. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement, directly or by adjusting the allowance account. The amount of the reversal is recognized in the statement of revenue and expenses in the period the reversal occurs.

iii) Transaction costs

Transaction costs are recognized in the statements of revenue and expenses in the period incurred, except for financial instruments that will be subsequently measured at amortized cost. Investment management fees associated with the Scotia McLeod managed portfolio are expensed as incurred.

**3 Helm Fund**

The Society is trustee of an endowment fund created by Mr. Walter J. Helm (a former Royal Astronomical Society of Canada member) who passed away June 5, 1960. In his will he provided a bequest to the Society that was to be used to support the general purposes of the David Dunlap Observatory (DDO) in Richmond Hill, Ontario. Under the terms of a 2010 court interpretation, the income of the Helm Fund is presently being applied in support of on-going public education programs at the DDO site.

The fair value of the total assets of the Helm Fund under administration by the Society at December 31, 2020 are \$724,199 (2019 - \$148,402) and are excluded from the Society's financial statements as the Society is not the legal owner or beneficiary of the Fund.

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Notes to Financial Statements

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**4 Investments**

As at December 31	2020	2019
Managed portfolio at ScotiaMcLeod		
Fixed income investments	\$ 239,314	\$ 278,163
Canadian equity investments	180,102	180,023
U.S. equity investments	100,262	115,743
Cash	9,641	19,726
	\$ 529,319	\$ 593,655

The fixed income portfolio includes 18 investments (2019 - 17 investments) comprised of government and corporate bonds with stated interest rates ranging from 1.75% to 3.55% (2019 - 1.20% to 4.00%), maturing on dates ranging from March 5, 2021 to September 1, 2025 (2019 - June 15, 2020 to June 15, 2024).

The Canadian equity investments include share and trust units of 38 Canadian entities (2019 - 33 Canadian entities). The single largest holding is 98 shares of Royal Bank with a market value of \$10,250 (2019 - 103 shares of Royal Bank with a market value of \$10,583).

The U.S. equity investments include share and trust units of 31 entities (2019 - 32 entities). The single largest holding is 23 shares of Microsoft Corp. with a market value of \$5,116 US\$ (2019 - 31 shares of Microsoft Corp. with a market value of \$4,889 US\$).

The fixed income and equity investments have been recorded at market values based on pricing information provided by Scotia McLeod.

**5 Investment in SkyNews Inc.**

The Society purchased 100% of the common shares of SkyNews Inc. on June 26, 2015. The fiscal year end of SkyNews Inc. is March 31, accordingly, the net income for the year ended March 31, 2020 has been recognized in the financial statements of the Society in 2020. The following summary is taken from the unaudited financial statements of SkyNews Inc.

As at March 31	2020	2019
Total assets	\$ 90,289	\$ 82,815
Total liabilities	263,189	258,139
Total deficit	(172,900)	(175,324)
Year ended March 31	2020	2019
Total revenue	\$ 557,884	\$ 583,103
Total cost of sales	420,664	583,161
Total expenses	134,796	64,113
Net income (loss) for the year	\$ 2,424	\$ (64,171)

There is significant uncertainty as to whether the investment in SkyNews Inc. is impaired. Management estimates that no impairment exists at December 31, 2020 due to changes implemented at SkyNews Inc. The investment is recognized on the balance sheet at \$136,990 however it is possible that the investment may be unrecoverable in future years.

In 2019 the Society loaned \$30,000 to SkyNews Inc. with repayment terms of \$1,500 per month, interest free. The balance outstanding at December 31, 2020 is \$4,500 (2019 - \$22,500).

Included in membership services expense is \$48,342 (2019 - \$50,172) for purchases of SkyNews Magazine in the year which is distributed to Society members as part of their membership subscription. The Society also expensed \$6,236 (2019 - \$6,236) in advertising and marketing for advertisements in SkyNews Magazine.

These transactions 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.

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**6 Capital assets**

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Tangible assets				
Telescope	\$ 51,947	\$ 20,408	\$ 51,947	\$ 12,987
Computer hardware	22,950	20,978	22,950	18,571
Office furniture	6,664	3,614	6,094	3,021
Leasehold improvements	4,989	4,989	4,989	4,988
Intangible assets				
Software	150,669	96,204	104,594	87,590
Website development	13,715	13,390	13,715	12,741
	<b>\$ 250,934</b>	<b>\$ 159,583</b>	<b>\$ 204,289</b>	<b>\$ 139,898</b>
Net book value		<b>\$ 91,351</b>		<b>\$ 64,391</b>

Included in software is \$46,075 (2019 - \$nil) of costs related to a project not complete or in use as at December 31, 2020. Accordingly, no amortization has been taken in the current year on this asset.

**7 Collections**

	2020	2019
Dorner Telescope Museum	\$ 34,645	\$ 20,781
Library	1	1
	<b>\$ 34,646</b>	<b>\$ 20,782</b>

**8 Unamortized life membership fees**

	2020	2019
Life membership fees as of January 1	\$ 15,902	\$ 18,552
Deduct: Amortization to income	(2,650)	(2,650)
Balance, December 31	<b>\$ 13,252</b>	<b>\$ 15,902</b>

**9 Canada Emergency Business Account (CEBA) loan**

The Society received a \$60,000 loan under the federal government's Canada Emergency Business Account (CEBA) program which provides assistance to small businesses and not-for-profit organizations in paying non-deferrable operating expenses. The CEBA program is designed to assist organizations dealing with the economic impact of the COVID-19 pandemic.

The loan is interest free and no payments are required until December 31, 2022. Any portion of the loan can be repaid at any time without penalty. Provided \$40,000 of the CEBA loan is repaid on or before December 31, 2022, the remaining \$20,000 will be forgiven. The Society has recognized the forgivable portion as government assistance included in grants in the statement of revenue and expenses at December 31, 2020 as there is reasonable assurance that the Society will be entitled to the grant.

If the loan is not repaid in full by December 31, 2022, the government assistance will be reversed and the full \$60,000 loan would become payable. Interest would be payable monthly, charged at 5% and the balance of the loan would be due in full December 31, 2025.

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**10 Grants**

Included in grants is government assistance totalling \$44,435 (2019 - \$Nil) which includes the CEBA loan forgiveness referred in note 9.

**11 Commitments**

The Society leases space for offices and a museum. The leases extend to December 31, 2021. The minimum annual payments required under the leases, excluding an estimate of the proportionate share of property taxes, maintenance and insurance for the premises, for fiscal 2021 is \$27,130. Property tax, maintenance and insurance in addition to the base rent is estimated at \$26,000 for calendar 2021.

The Society also has an ongoing commitment for the remote observatory and telescope hosting which extends to May 1, 2022. Annual payments totalling \$19,400 for 2021 and \$6,600 for 2022 are required under this agreement.

**12 Internally restricted net assets**

The Society has internally restricted certain funds. The Ruth Northcott Education Fund was established in 1969 and funds are used for a variety of specified purposes related to public education and outreach. The RASC Legacy Fund was established in 1990 for the purpose of providing for the long-term growth of the Society.

An amount equal to the investment income (loss) for the year is transferred to all funds annually on a proportionate basis. All disbursements from these funds must be approved by the Board of Directors.

	<b>2020</b>			2019
	Ruth Northcott Education Fund	RASC Legacy Fund	Total	Total
Fund balance, January 1	\$ 230,160	\$ 315,274	\$ 545,434	\$ 495,946
Transferred from (to) unrestricted net assets:				
Investment income (loss)	1,541	2,111	3,652	32,491
Donations	4,021	1,042	5,063	23,913
Expenses	(1,410)	-	(1,410)	(6,916)
	<b>4,152</b>	<b>3,153</b>	<b>7,305</b>	<b>49,488</b>
Balance, December 31	<b>\$ 234,312</b>	<b>\$ 318,427</b>	<b>\$ 552,739</b>	<b>\$ 545,434</b>

**13 Expense allocations**

Personnel, fundraising and computer and IT costs were allocated as follows:

	<b>2020</b>			2019		
	Personnel costs	Fundraising expenses	Computer & IT costs	Personnel costs	Fundraising expenses	Computer & IT costs
National operations	\$ 67,047	\$ 44,927	\$ 8,424	\$ 61,856	\$ 44,811	\$ 8,365
Member services	117,245	5,616	16,848	105,020	5,601	16,731
Public outreach	90,501	5,616	8,424	80,546	5,601	8,365
Light pollution prevention	6,822	-	-	-	-	-
	<b>\$ 281,615</b>	<b>\$ 56,159</b>	<b>\$ 33,696</b>	<b>\$ 247,422</b>	<b>\$ 56,013</b>	<b>\$ 33,461</b>

**THE ROYAL ASTRONOMICAL SOCIETY OF CANADA**  
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Notes to Financial Statements  
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#### **14 Financial instruments**

The Society is exposed to various risks through its financial instruments. The following analysis provides a measure of the Society's risk exposure and concentrations.

##### **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 Society is exposed to credit risk through its cash, accounts receivable, loan receivable and investments. Credit risk related to cash is minimal as funds are fully insured and held by credit-worthy parties. Accounts receivable are generally unsecured. The investment policy requires diversification of investments within categories, and sets limits on exposure to individual investments.

##### **Liquidity risk**

Liquidity risk is the risk that the Society will not be able to meet a demand for cash or fund its obligations as they come due. The Society meets its liquidity requirements by ensuring adequate cash is maintained and investments are available to be converted to cash if and when required.

##### **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

##### **Currency risk**

Currency risk reflects the risk that the Society's earnings will decline due to the fluctuations in foreign exchange rates. The Society has cash, investments and accounts receivable denominated in U.S.\$ totaling \$145,758 US\$ at December 31, 2020 (2019 - \$127,397). The exchange rate used to convert US\$ assets at December 31, 2020 is \$1 US = 1.2732 Cdn (2019 - \$1.2988 Cdn).

##### **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 Society is subject to interest rate risk to the extent of its fixed income investments and cash on deposit with financial institutions that earn interest at market rates. The Society manages its exposure to the interest rate risk of its cash by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the Society's results of operations.

The primary objective of the Society with respect to its fixed income investments is to ensure the security of principal amounts invested, provide for a high degree of liquidity, and achieve a satisfactory investment return.

##### **Other price risk**

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments in the market.

The Society is exposed to other price risk because of its equity investments.

##### **Changes in risk**

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