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**ROYAL MILITARY COLLEGES CLUB OF CANADA FOUNDATION INC.**  
**FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2009**

**ROYAL MILITARY COLLEGES CLUB OF CANADA FOUNDATION INC.**

**TABLE OF CONTENTS**

**AS AT DECEMBER 31, 2009**

**AUDITORS' REPORT**

**Page**

**1**



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## AUDITORS' REPORT

To the Members of  
Royal Military Colleges Club of Canada Foundation Inc.

We have audited the statement of financial position of Royal Military Colleges Club of Canada Foundation Inc. as at December 31, 2009 and the statements of operations and changes in fund balances for the year then ended. These financial statements are the responsibility of the foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation.

In common with many not-for-profit organizations, Royal Military Colleges Club of Canada Foundation Inc. derives revenue from donations and special projects, 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 foundation and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenue over expenditures, current assets and fund balances.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of donations and special projects referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the foundation as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KINGSTON, Canada  
March 10, 2010

*Wilkinson & Company LLP*  
Chartered Accountants  
Licensed Public Accountants

**WILKINSON & COMPANY LLP**  
Chartered Accountants & Tax Specialists Since 1964

**ROYAL MILITARY COLLEGES CLUB OF CANADA FOUNDATION INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	Operating Fund \$	Restricted Fund \$	Endowment Fund \$	2009 Total \$	2008 Total \$
<b>CURRENT ASSETS</b>					
Cash and bank	252,809		46,987	424,552	92,770
Short term investments	103,093	1,902,023		2,005,116	1,850,326
Accounts receivable	30,014			30,014	17,447
Accrued investment income	113			113	8,229
Due from the Royal Military Colleges Club of Canada	32,238			32,238	35,238
Inter - fund receivables	9,278			9,278	242,792
Prepaid expenses	1,800			1,800	7,342
<b>INVESTMENTS - Note 4</b>	<b>429,345</b>	<b>2,026,779</b>	<b>46,987</b>	<b>2,503,111</b>	<b>2,254,144</b>
		953,666	3,459,078	4,412,744	4,125,137
<b>LIABILITIES AND FUND BALANCES</b>	<b>429,345</b>	<b>2,980,445</b>	<b>3,506,065</b>	<b>6,915,855</b>	<b>6,379,281</b>
<b>CURRENT</b>					
Bank indebtedness					20,570
Accounts payable and accrued liabilities	42,210			42,210	18,668
Inter - fund payables		9,278		9,278	242,792
Deferred revenue	1,500			1,500	600
Monies held in trust - Note 5		2,026,680		2,026,680	1,801,982
<b>DEFERRED CONTRIBUTIONS - Note 7</b>	<b>43,710</b>	<b>2,035,958</b>		<b>2,079,668</b>	<b>2,084,612</b>
		116,930		116,930	83,463
<b>FUND BALANCES</b>	<b>43,710</b>	<b>2,152,888</b>		<b>2,196,598</b>	<b>2,168,075</b>
Unrestricted	385,635			385,635	353,700
Externally restricted		827,557		827,557	361,196
Externally restricted - Note 6			3,506,065	3,506,065	3,496,310
	385,635	827,557	3,506,065	4,719,257	4,211,206
	429,345	2,980,445	3,506,065	6,915,855	6,379,281

**APPROVED ON BEHALF OF THE BOARD**

\_\_\_\_\_  
 Director  
 \_\_\_\_\_  
 Director

The accompanying notes form an integral part of these financial statements

**ROYAL MILITARY COLLEGES CLUB OF CANADA FOUNDATION INC.  
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Operating Fund		Restricted Fund		Endowed Fund	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
<b>Revenue</b>						
Administration fee	30,796	294,343	201,467	374,419	319,705	181,386
Donations	236,816	54,443	830,538	(592,543)		
Investment income	18,129	98,957				
RMC Research Services	98,957	107,513				
Special projects	48,498	27,750				
	<b>433,196</b>	<b>484,049</b>	<b>1,032,005</b>	<b>(218,124)</b>	<b>319,705</b>	<b>181,386</b>
<b>Expenditures</b>						
Administration fee			30,796			
Administrative	126,964	124,929				
College benefactions - Note 9	(13,335)	116,684	397,926	311,076		
Distributions from endowments			126,600	65,281		
Personnel	228,001	212,598				
RMC Research Services	33,777	38,027				
Special projects	36,126	23,900				
Endowed capital expended - Note 10					310,000	33,896
	<b>411,533</b>	<b>516,138</b>	<b>555,322</b>	<b>376,357</b>	<b>310,000</b>	<b>33,896</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE)</b>	<b>21,663</b>	<b>(32,089)</b>	<b>476,683</b>	<b>(594,481)</b>	<b>9,705</b>	<b>147,490</b>
<b>FUND BALANCES - BEGINNING OF YEAR - Note 3</b>	<b>353,700</b>	<b>388,310</b>	<b>361,196</b>	<b>1,067,896</b>	<b>3,496,310</b>	<b>3,234,080</b>
<b>INTER-FUND TRANSFER - Note 8</b>	<b>10,272</b>	<b>(2,521)</b>	<b>(10,322)</b>	<b>(112,219)</b>	<b>50</b>	<b>114,740</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>385,635</b>	<b>353,700</b>	<b>827,557</b>	<b>361,196</b>	<b>3,506,065</b>	<b>3,496,310</b>

The accompanying notes form an integral part of these financial statements

**ROYAL MILITARY COLLEGES CLUB OF CANADA FOUNDATION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

**1. PURPOSE OF THE ORGANIZATION**

The Royal Military Colleges Club of Canada Foundation Inc. is incorporated without share capital under the *Canada Business Corporations Act*. The principal purpose of the foundation is to support the Royal Military Colleges of Canada and its cadets.

The foundation is exempt from tax under subparagraph 149 (1)(f) of the *Canadian Income Tax Act*. In order to maintain its status as a registered charity under the *Canadian Income Tax Act*, the foundation must meet certain requirements within the *Canadian Income Tax Act*. In the opinion of management, these requirements have been met.

**2. ACCOUNTING POLICIES**

Outlined below are those accounting policies adopted by the foundation considered to be particularly significant:

**(a) Accounting Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires 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 amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**(b) Fund Accounting**

The foundation follows the restricted fund method for accounting for contributions. The foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for that purpose.

**(i) Endowment Fund**

The endowment fund reports resources that are required to be maintained by the foundation on a permanent basis.

**(ii) Restricted Fund**

The restricted fund reports resources that are available to be used for purposes specified by the donor and do not form part of the endowment fund.

**(iii) Operating Fund**

The operating fund reports resources available for the foundation's general operating activities. The costs of supporting these activities are reported as expenditures in the operating fund.

**ROYAL MILITARY COLLEGES CLUB OF CANADA FOUNDATION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

**2. ACCOUNTING POLICIES (Cont'd)**

**(c) Financial Instruments**

The Foundation's financial instruments consist of cash, accounts receivable, guaranteed investment certificates, investments, accounts payable and accrued liabilities, and monies held in trust. Unless otherwise noted, it is management's opinion that the foundation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

**(d) Revenue Recognition**

Donor-restricted contributions for endowment purposes are recognized as revenue in the endowment funds. Other donor-restricted contributions are recognized in revenue in the restricted fund depending on the nature of the restriction. Unrestricted contributions and investment income earned on RMC Research Services investments are recognized as revenue in the operating fund. Contributions are recognized as revenue when received, except where amounts are received for specific long-term projects. In these cases, contributions are deferred and recorded as revenue when the related expenditures are incurred.

Income is recorded as follows:

(i) The restricted fund reports income earned on resources of the endowment and restricted funds, as well as donations, that must be spent on donor restricted activities.

(ii) The operating fund reports income earned on the assets held in the operating fund, donations specially earmarked for facilitating the foundation's operations in the short term and the administrative fee charged to all endowment and restricted funds.

Investment income includes dividend and interest income and realized and unrealized investment gains and losses. Unrealized gains and losses on held for trading financial instruments are included in investment income and recognized as revenue in the statement of operations, deferred or reported directly in net assets, depending on the nature of any external restrictions imposed on the investment income.

**(e) Investments**

Investments are reported as held for trading financial instruments and are stated at market value.

**(f) Contributed Goods and Services**

Volunteers contribute a substantial number of hours each year to assist the foundation in carrying out its activities. Because of the difficulty of determining the fair value, contributions of such services are not recognized in the financial statements.

**ROYAL MILITARY COLLEGES CLUB OF CANADA FOUNDATION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

**2. ACCOUNTING POLICIES (Cont'd)**

**(g) Foreign Currency Translation**

Foreign currency accounts are translated into Canadian dollars as detailed. At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the period end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in income in the current period except for the foreign currency gains and losses on long-term monetary items which are deferred and amortized over the remaining terms of the related items.

**3. PRIOR PERIOD ADJUSTMENT**

The comparative column of these financial statements includes an adjustment to the 2008 financial statements, as approved by the Board of Directors. The adjustment relates to a correction in recording of interfund transfers, and has no effect on the consolidated fund balances. The interfund transfer for the operating was restated from \$17,294 to (\$2,521), and the interfund transfer for the restricted fund was restated from (\$132,034) to (\$112,219) as follows:

	Operating Fund \$	Restricted Fund \$	Endowed Fund \$
Fund balances - beginning of year, as previously reported	373,515	341,381	3,496,310
Interfund transfer adjustment	(19,815)	19,815	
<b>Fund balances - beginning of year</b>	<b>353,700</b>	<b>361,196</b>	<b>3,496,310</b>

**4. LONG-TERM INVESTMENTS**

The investments held at December 31, 2009 consist of bonds and stock equities. The investments have been recorded at fair market value as at December 31, 2008 and December 31, 2009.

**5. MONIES HELD IN TRUST**

In 2005, the organization entered into a contract with Federal Granting Agencies, namely The Natural Sciences and Engineering Research Council (NSERC), the Social Sciences and Humanities Research Council (SSHRC) and the Canadian Institute of Health Research (CIHR) to provide services on a trust basis as outlined in The Memorandum of Understanding between the parties.



**ROYAL MILITARY COLLEGES CLUB OF CANADA FOUNDATION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

**6. EXTERNALLY RESTRICTED - ENDOWMENT FUNDS**

	Opening Balance	Donations	Inter-Fund Transfer	Endowed Capital Expended	Ending Balance
	\$	\$	\$	\$	\$
<b>(a) Major Giving Endowed Funds</b>					
Burma Star Competition	15,655				15,655
Captain Bart Leadership Award	71,594				71,594
Captain Bart Teamwork Prize	258,841				258,841
Dacey Memorial Fund/ Chemical and Mechanical Engineering Fund	19,589				19,589
Danny McLeod Athletics	118,490	6,360			124,850
Howard B. Ripstein Endowment Fund	125,000				125,000
Howard B. Ripstein First Year Fund	60,000				60,000
Howard B. Ripstein Reserve Entry Fund	60,000				60,000
Joseph Howard Endowment	44,771	23,985			68,756
Howard Mech Eng Endowment	10,000				10,000
J.W. Brown Memorial Fund	10,936				10,936
James Carruthers Endowment Fund	405,250		(250)		405,000
RG Haycock Grad Student Fund	35,385	190			35,575
No. 1 Fund - Wurtele		143,759			143,759
Ripstein Library Endowment Fund	20,000				20,000
RMC Excellence in Research	106,050				106,050
Sandhurst Endowment Fund	20,000	100			20,100
UPTNCM Fund (Otter Sqn)	14,578	350			14,928
W.A. Ferguson	10,000				10,000
Young Memorial Fund	100,000				100,000
J. Douglas Young Sword of Excellence	994				994
	<b>1,507,133</b>	<b>174,744</b>	<b>(250)</b>		<b>1,681,627</b>
<b>(b) Endowed Class Funds</b>					
Class of 56	113,276	1,850			115,126
Class of 57	82,260	1,500	300		84,060
Class of 59	66,065	5,740			71,805
Class of 60	55,673	7,515			63,188
Class of 62	170,353				170,353
Class of 63	132,100				132,100
Class of 64	191,029	63,014			254,043
Class of 65 - Teaching Excellence	561,169	29,504			590,673
Class of 66	470,801	32,250		(310,000)	193,051
Class of 69 - Bade Bursary	68,770	500			69,270
Class of 72	46,547	3,088			49,635
Class of 98	30,234				30,234
Class of 2000	900				900
	<b>1,989,177</b>	<b>144,961</b>	<b>300</b>	<b>(310,000)</b>	<b>1,824,438</b>
<b>Total Endowed Funds</b>	<b>3,496,310</b>	<b>319,705</b>	<b>50</b>	<b>(310,000)</b>	<b>3,506,065</b>

**ROYAL MILITARY COLLEGES CLUB OF CANADA FOUNDATION INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**7. DEFERRED CONTRIBUTIONS**

In 2005, the organization received approval from the Canada Revenue Agency to accumulate funds for the purpose of contributing up to \$7,000,000 to the construction of library facilities at the Royal Military College for the six year period from January 1, 2004 to December 31, 2009. At December 31, 2009 the deferred contribution balance is \$116,930.

**8. INTERFUND TRANSFERS**

During 2009 the Royal Military Colleges Club of Canada Foundation Inc. transferred \$10,272 from the restricted fund to the operating fund and transferred \$50 from the restricted fund to the endowed fund. All transfers were approved by the Board of Directors of the foundation.

**9. COLLEGE BENEFACTIONS**

During the year, a college benefaction that was made in 2008 was returned back to the foundation as the college determined that it could not accept the benefaction. As the 2008 amount returned was larger than the total amount of benefactions made in 2009 from the operating fund the net amount of (\$13,335) is reported.

**10. ENDOWED CAPITAL EXPENDED**

During the year the Board of Directors, with permission of the endowment manager, approved the expenditure for the Birchall Pavillion of endowed capital as it relates to the following funds:

\$

Class of 66 Endowment

**310,000**

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**11. STATEMENT OF CASH FLOWS**

A statement of cash flows has not been included in these financial statements as the required cash flow information is readily apparent from the other financial statements. Cash flow from operations approximates the change in fund balances, and there were no investing or financing activities during the year.

**ROYAL MILITARY COLLEGES CLUB OF CANADA FOUNDATION INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**12. CAPITAL DISCLOSURE**

The foundation's objectives with respect to capital management are to maintain a minimum capital base that allows the foundation to continue with and execute its overall purpose as outlined in the fund balances accounting policy in Note 2. The foundation's Board of Directors performs periodic reviews of the foundation's capital needs to ensure they remain consistent with the risk tolerance that is acceptable to the foundation.

**13. RELATED PARTY TRANSACTIONS**

During the year, the foundation entered into a services agreement with the Royal Military Colleges Club of Canada (the club), a related party to the Royal Military Colleges Club of Canada Foundation Inc. The services agreement outlines the shared administrative services between the club and the foundation. The result is a net annual transfer from the foundation to the club in the amount of \$49,342.