

**ROYAL MILITARY COLLEGES OF CANADA ALUMNI ASSOCIATION INC.
FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2021**

ROYAL MILITARY COLLEGES OF CANADA ALUMNI ASSOCIATION INC.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Royal Military Colleges of Canada Alumni Association Inc.

Qualified Opinion

We have audited the financial statements of Royal Military Colleges of Canada Alumni Association Inc. (the Alumni Association), which comprise the statement of financial position as at December 31, 2021, and the statements of operations and changes in fund balances, 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 Alumni Association as at December 31, 2021, 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 Alumni Association 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 Alumni Association and we were not able to determine whether, as at and for the year ended December 31, 2021, any adjustments might be necessary to donations revenue, excess of revenues over expenditures, assets and fund balances.

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 Alumni Association 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 these financial statements, management is responsible for assessing the Alumni 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 Alumni Association, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Alumni Association'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 Alumni 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 Alumni 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 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 Alumni 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.

KINGSTON, Canada
May 13, 2022

Wilkinson Company LLP

Chartered Professional Accountants
Licensed Public Accountants

WILKINSON & COMPANY LLP - CHARTERED PROFESSIONAL ACCOUNTANTS

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ROYAL MILITARY COLLEGES OF CANADA ALUMNI ASSOCIATION INC.
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

	Operating Fund \$	Life Membership \$	Restricted Fund \$	Endowment Fund \$	2021 Total \$	2020 Total \$
ASSETS						
CURRENT						
Cash and bank	208,522		424,721	21,843	655,086	571,094
Short term investments	150,044		2,125,000		2,275,044	3,112,134
Inventory	102,836				102,836	
Accounts receivable	34,828	3,096			37,924	25,042
Accrued investment income	3,136				3,136	3,134
Due from the Royal Military Colleges Club of Canada - current - Note 14	229,124	1,270,116			1,499,240	3,250
Government remittances receivable	13,233				13,233	11,791
Prepaid expenses	10,946				10,946	5,326
Inter - fund receivables			271,586		271,586	333,623
LONG-TERM	752,669	1,273,212	2,821,307	21,843	4,869,031	4,065,394
Due from the Royal Military Colleges Club of Canada - Note 14						6,238
Tangible capital assets - Note 2 (f)	14,038				14,038	10,350
Life insurance policy - cash surrender value			20,099		20,099	18,901
Investments - Note 5	766,707	3,800,243	21,661,121	11,627,947	37,856,018	30,746,213
LIABILITIES AND FUND BALANCES						
CURRENT						
Accounts payable and accrued liabilities	39,869				39,869	27,284
Deferred revenue	11,140				11,140	9,000
Government remittances payable	5,460				5,460	
Monies held in trust - Note 6			8,498,267		8,498,267	8,065,428
Inter - fund payables	271,586				271,586	333,623
	328,055		8,498,267		8,826,322	8,435,335
FUND BALANCES						
Unrestricted	438,652				438,652	250,773
Life memberships		3,800,243			3,800,243	
Externally restricted			13,162,854		13,162,854	11,684,336
Externally restricted - Note 7				11,627,947	11,627,947	10,375,769
	438,652	3,800,243	13,162,854	11,627,947	29,029,696	22,310,878
	766,707	3,800,243	21,661,121	11,627,947	37,856,018	30,746,213

APPROVED ON BEHALF OF THE BOARD

President

Treasurer

FCMA FCMA

The accompanying notes form an integral part of these financial statements

ROYAL MILITARY COLLEGES OF CANADA ALUMNI ASSOCIATION INC.
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Operating Fund		Life Membership Investment Fund		Restricted Fund		Endowed Fund	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Administration fee	210,353	186,698						
Affinity revenue	2,380							
Canada Emergency Wage Subsidy - Note 4	70,504	93,849						
Donations	146	542			849,557	818,672	150,995	177,770
Gift shop revenue	17,077							
Investment income	13,140	22,339	72,470		2,378,637	2,368,122		
LMIF Permissible withdrawal	104,932							
Membership revenue	90		1,100					
RMC Research Services - Note 6	236,224	194,651						
Special projects	10,456	5,763						
	665,302	503,842	73,570		3,228,194	3,186,794	150,995	177,770
Expenditures								
Administration fee					210,353	186,698		
Administrative	102,729	71,739						
Branch dues - Note 10	19,273							
College benefactions					180,976	221,080		
Distributions from endowments					197,270	222,114		
Depreciation	3,616							
Gift shop - Cost of goods sold	15,107							
Gifts to other qualified donees					42,500	14,069		
Personnel	374,484	303,206						
RMC Research Services - Note 6	71,643	37,978						
Special projects	3,029	2,538						
Endowed capital expended - Note 9							17,394	7,321
LMIF permissible withdrawal			104,932					
	589,881	415,461	104,932		631,099	643,961	17,394	7,321
EXCESS OF REVENUE OVER EXPENDITURES								
(EXPENDITURES OVER REVENUE) FOR YEAR	75,421	88,381	(31,362)		2,597,095	2,542,833	133,601	170,449
FUND BALANCES - BEGINNING OF YEAR	250,773	162,392			11,684,336	9,280,388	10,375,769	10,066,435
TRANSFER FROM CLUB	112,458		3,831,605					
INTERFUND TRANSFERS - Note 8					(1,118,577)	(138,885)	1,118,577	138,885
FUND BALANCES - END OF YEAR	438,652	250,773	3,800,243		13,162,854	11,684,336	11,627,947	10,375,769

The accompanying notes form an integral part of these financial statements

ROYAL MILITARY COLLEGES OF CANADA ALUMNI ASSOCIATION INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021 Operating Fund \$	2021 Research \$	2021 Life Membership \$	2021 Restricted Fund \$	2021 Endowment Fund \$	2021 Total \$	2020 Total \$
CASH FLOWS FROM OPERATING ACTIVITIES							
Sources of cash							
Canadian Emergency Wage Subsidy	70,504					70,504	93,849
Donations				837,544	150,995	988,539	984,466
Gift shop sales	17,077					17,077	
Memberships	491		1,100			1,591	
Research services contract	214,565					214,565	199,473
Grant monies received		2,132,530				2,132,530	2,281,242
Government remittances receivable	4,019					4,019	2,362
Other receivables							175
Special projects	2,355					2,355	9,963
Due from Royal Military Colleges Club of Canada	6,238					6,238	3,250
Uses of cash							
Personnel	(371,058)					(371,058)	(301,662)
Administrative	(108,282)					(108,282)	(75,789)
Research services contract	(71,550)					(71,550)	(37,612)
Cost of goods sold	(116,794)					(116,794)	
Grant monies disbursed		(2,251,141)				(2,251,141)	(1,932,322)
Benefactions				(197,270)		(197,270)	(231,137)
Endowment distributions				(170,161)	(17,394)	(187,555)	(229,287)
Gifts to other qualified donees				(42,500)		(42,500)	(14,069)
Special projects	(4,012)					(4,012)	(763)
CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES	(356,447)	(118,611)	1,100	427,613	133,601	87,256	752,139
CASH FLOWS FROM INVESTING ACTIVITIES							
(Increase) in investments		(937,607)	(63,219)	(2,632,934)	(395,762)	(3,966,303)	(4,449,197)
Investment income	13,139	751,828	63,219	2,378,637		3,143,604	3,266,780
Purchase of computer equipment	(17,654)					(17,654)	
CASH FLOWS USED IN INVESTING ACTIVITIES	(4,515)	(185,779)	NIL	(254,297)	(395,762)	(840,353)	(1,182,417)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS FOR YEAR	(360,962)	(304,390)	1,100	173,316	(262,161)	(753,097)	(430,278)
CASH AND EQUIVALENTS - BEGINNING OF YEAR	570,112	2,854,111	NIL	NIL	259,004	3,683,227	4,113,506
Interfund cash adjustments	149,416		(1,100)	(173,316)	25,000		
CASH AND EQUIVALENTS - END OF YEAR	358,566	2,549,721	NIL	NIL	21,843	2,930,130	3,683,228
REPRESENTED BY:							
Cash and short term investments	358,566	2,549,721	NIL	NIL	21,843	2,930,130	3,683,228

The accompanying notes form an integral part of these financial statements

**ROYAL MILITARY COLLEGES OF CANADA ALUMNI ASSOCIATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

1. PURPOSE OF THE ORGANIZATION

The Royal Military Colleges of Canada Alumni Association Inc. (Alumni Association) was incorporated without share capital under the *Canada Business Corporations Act* and was continued on October 24, 2013 under the *Canada Not-for-Profit Corporations Act*. See Note 3 regarding a name change enacted during 2021. The principal purposes of the Alumni Association are to i) financially support education at the Canadian Military Colleges, ii) promote the efficiency of the Canadian Armed Forces for the benefit of the public, and iii) establish, protect, preserve and commemorate monuments and significant heritage sites at Canadian Military Colleges locations.

The Alumni Association is exempt from tax under subparagraph 149 (1)(f) of the *Income Tax Act*. In order to maintain its status as a registered charity under the *Income Tax Act*, the Alumni Association must meet certain requirements within the *Income Tax Act*.

The financial position and the results of operations from branches of the Alumni Association are not included in these financial statements.

2. ACCOUNTING POLICIES

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

(a) Basis of Accounting

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(b) Accounting 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 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 items subject to such estimates and assumptions include valuation of accounts receivable. Actual results could differ from those estimates.

(c) Fund Accounting

The Alumni Association follows the restricted fund method for accounting for contributions. The Alumni Association 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, in accordance with the donors' direction, to be maintained by the Alumni Association on a permanent basis.

**ROYAL MILITARY COLLEGES OF CANADA ALUMNI ASSOCIATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

2. ACCOUNTING POLICIES (Cont'd)

(c) Fund Accounting (Cont'd)

(ii) Restricted Fund

The restricted fund reports resources that are available to be used for purposes in accordance with the donors' direction and do not form part of the endowment fund. The restricted fund also includes resources that the Board of Directors have internally restricted by Alumni Association policy for benefactions.

(iii) Life Membership Investment Fund

The Life Membership Investment Fund (LMIF) reflects life memberships purchased. These funds are invested separately. On an annual basis, funds are transferred to the operating fund from the LMIF based on an approved present value model.

(iv) Operating Fund

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

(d) Revenue Recognition

Donor restricted contributions for endowment purposes are recognized as revenue in the endowment. Other contributions are recognized as revenue in the restricted fund depending on the nature of the donor's direction. Investment income earned on RMC Research Services investments is recognized as revenue in the operating fund when received. Contributions are recognized as revenue when received.

Income is recorded in the funds 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 directed activities.

(ii) The life membership investment fund reports life memberships as received or receivable. Annually, life membership revenue earned is transferred to the operating fund based on an approved present value model.

(iii) The operating fund reports income earned on the assets held in the operating fund, donations specially earmarked for facilitating the Alumni Association'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 in the operating, LMIF or restricted fund or deferred and reported directly in net assets, depending on the nature of any external restriction imposed on the investment income.

ROYAL MILITARY COLLEGES OF CANADA ALUMNI ASSOCIATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

2. ACCOUNTING POLICIES (Cont'd)

(d) Revenue Recognition (Cont'd)

e-Veritas revenue is recorded when content has been published online and collection is reasonably assured.

Affinity compensation is recorded as revenue when it is received.

Gift shop revenues are recognized as revenue when the goods have been delivered to the customer and if the amount to be received can be reasonably estimated and collection is reasonably assured.

(e) Financial Instrument Measurement

The Alumni Association initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities, with the exception of investments, at amortized cost. Investments continue to be measured at fair value.

The financial assets subsequently measured at amortized cost include cash, accounts receivables, and prepaid expenses. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities, deferred revenue and monies held in trust.

(f) Tangible Capital Assets

Tangible capital assets consist of computer equipment and is recorded at acquisition cost. Gains or losses on the disposal of individual assets are recognized in earnings in the year of disposition. Amortization, which is based on the estimated useful life, is recorded on a straight-line basis over 3 years. In 2021, the Alumni Association recorded \$3,616 for computer equipment amortization.

(g) Contributed Goods and Services

Volunteers contribute a substantial number of hours each year to assist the Alumni Association 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.

(h) 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 application 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.

**ROYAL MILITARY COLLEGES OF CANADA ALUMNI ASSOCIATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

2. ACCOUNTING POLICIES (Cont'd)

(i) Inventory

Inventory consists of gift shop merchandise and is valued at lower of cost and replacement cost. Cost is determined on the first-in, first-out basis.

(j) Cash and Equivalents

Cash and equivalents consist of cash on deposit and short term investments maturing in 90 days or less.

3. THE ROYAL MILITARY COLLEGES OF CANADA FOUNDATION INC. AND THE ROYAL MILITARY COLLEGES CLUB OF CANADA COMBINATION

In an October 2021 joint special meeting between the Royal Military Colleges of Canada Foundation Inc. (Foundation) and the Royal Military Colleges Club of Canada (Club), a combination of the two organizations was approved. The agreement signed on October 15, 2021 provides for the Club to assign its property and assets to the Foundation. Articles of amendment were filed to change the name of the Foundation to the Royal Military Colleges of Canada Alumni Association Inc. The directors of the Foundation immediately prior to the combination were removed from the Board and 16 new directors were appointed. The combination is accounted for as an acquisition in accordance with Section 4449, *Combinations by not-for-profit organizations* in Part III of the CPA Canada Handbook.

As a result of the combination, the Alumni Association will continue, without interruption, to provide the services previously provided by both the Club and the Foundation. The purpose of the combination is to ensure greater coordination and efficiencies that will allow the growth and enhancement of alumni services and membership benefits.

As of October 15, 2021, the assets of the Club were evaluated for fair value and acquired by the Foundation as follows:

- Prior to the combination, the Club was in debt to the Foundation in the amount of \$12,738. This debt was paid in full by the Club.
- Gift shop inventories belonging to the Club and accounts receivable owing to the Club in the amount of \$109,501 and \$3,328 respectively were purchased by the Foundation.
- On the date of the combination, the value of investments (\$2,463,812) was recorded as an asset of the Foundation. These investments appreciated in value by \$63,219 between October 2021 and year end and is shown on the statement of operations and changes in fund balances as revenue of the LMIF. At year end, the investment account continues to be held in the name of the Club and was transferred into the name of the Alumni Association subsequent to year end.
- The remaining assets of the Club valued at \$1,499,240 (including \$9,251 of interest income), which was recorded as a receivable of the Alumni Association as of year end, were subsequently received on January 28, 2022.

**ROYAL MILITARY COLLEGES OF CANADA ALUMNI ASSOCIATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

3. THE ROYAL MILITARY COLLEGES OF CANADA FOUNDATION INC. AND THE ROYAL MILITARY COLLEGES CLUB OF CANADA COMBINATION (Cont'd)

Prior to the combination, the Club differentiated between a new LMIF and an old LMIF. The old LMIF was indebted to the operations of the Club in the amount of \$388,629. Included in the resolutions voted on during the negotiations was an amalgamation of the old and new LMIFs and the elimination of the old LMIF deficit.

Results as presented on the statement of operations and fund balances are the results of the Foundation's operations for the period January 1, 2021 to October 14, 2021 and the Alumni Association's (combined entity subsequent to the combination) results of operations for the period October 15, 2021 to December 31, 2021. Presentation of prior year comparative figures are of the Foundation only. At the combination date, no adjustments were necessary to align the accounting policies.

4. IMPACTS OF COVID-19

Since the beginning of 2020, the coronavirus disease COVID-19 has had a considerable impact, both globally and locally. During 2021, the Alumni Association continues to be financially impacted in the following ways:

- A Canadian Emergency Wage Subsidy in the amount of \$70,504 was received during the year and reported as revenue;
- Various annual fundraising events were cancelled due to COVID-19; and
- College benefactions and distributions from endowments were reduced due to fewer activities at the Colleges.

At the time that these financial statements were finalized, COVID-19 continues to be of global concern and has the potential to create financial stress on the economy and the entity. The long term financial impact could not be determined.

ROYAL MILITARY COLLEGES OF CANADA ALUMNI ASSOCIATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

5. LONG-TERM INVESTMENTS

The investments held at December 31, 2021 consist of bonds and equities. Investments have been recorded at the fair market value provided by Canso Investment Counsel Ltd. as at December 31, 2021 and December 30, 2020.

	2021	2020
	\$	\$
Restricted and Endowment Fund Investments		
Canadian fixed income		11,843,573
Canadian equity	61,380	4,472,690
Foreign equity	15,944	5,117,750
TDV Balanced Fund	24,399,949	
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Subtotal Restricted and Endowment Fund Investments	24,477,273	21,434,013
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Life Membership Investment Fund - TDV Balanced Fund	2,527,031	
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Monies Held in Trust (Note 6)		
Canadian fixed income	4,642,010	4,095,943
Canadian equity	729,630	645,898
Foreign equity	576,906	469,476
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Subtotal Monies Held in Trust	5,948,546	5,211,317
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Total Long Term Investments	32,952,850	26,645,330

In 2020, the fixed income securities were converted to bond funds and are no longer managed as individual securities. On April 9, 2021 the bond and equity funds were converted to the Lysander TDV Fund and, with the exception of a few residual holdings, are no longer managed as individual funds or securities.

6. MONIES HELD IN TRUST

In 2005, the Alumni Association 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 Institutes of Health Research (CIHR) to provide services on a trust basis as outlined in The Memorandum of Understanding between the parties. In 2020 this Memorandum of Understanding was extended until 2030.

In 2018, the Alumni Association entered into a contract with the Principal's Office of the Royal Military College to provide services on a trust basis as outlined in the Agreement between the parties.

During the year, the provision of services under the aforementioned Memorandum of Understanding and Agreement resulted in net contributions to the operating fund of \$164,581 (2020 - \$156,673).

ROYAL MILITARY COLLEGES OF CANADA ALUMNI ASSOCIATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

7. EXTERNALLY RESTRICTED - ENDOWMENT FUNDS

	Opening Balance \$	Donations \$	Inter-Fund Transfer \$	Endowed Capital Expended \$	Ending Balance \$
(a) Major Giving Endowed Funds					
Battlefield Tour	3,003,297				3,003,297
Captain Bart Leadership Award	41,594				41,594
Captain Bart Teamwork Prize	148,841				148,841
Carswell ROTP Gala Travel	170,000				170,000
Carswell TDV	98,010				98,010
Chaudry Operations Research Prize	40,000				40,000
Dacey Memorial Fund/ Chemical and Mechanical Engineering Fund	19,589				19,589
Danny McLeod Athletics	372,715	410			373,125
Howard B. Ripstein First Year Endowment Fund	60,000				60,000
Howard B. Ripstein Reserve Entry Fund	60,000				60,000
Howard B. Ripstein Third Year Endowment Fund	125,000				125,000
J.W. Brown Memorial Fund	11,086				11,086
James Carruthers Endowment Fund	625,559				625,559
Keyser Red & White	25,000				25,000
Mech Eng P.G. Scholarship Fund	233,174	10,500			243,674
Netherlands Liberation	172,365	5,000			177,365
No. 1 Fund - Wurtele	143,759				143,759
P Cadieux Memorial Award Fund	40,000				40,000
Phil Cowie Endowment	25,700	525			26,225
RG Haycock Grad Student Fund	35,575				35,575
Ripstein Library Endowment Fund	20,000				20,000
RMC Excellence in Research	110,820				110,820
Sandhurst Endowment Fund	23,450				23,450
Sea Log Sword Endowment	25,000				25,000
Seath Endowment Fund	102,688				102,688
TDV Endowment Fund	92,915	41,300			134,215
Toronto Branch	25,655				25,655
UTPNM Fund (Otter Sqn)	19,163	138			19,301
W.A. Ferguson	10,000				10,000
Wall of Honour	220,395	1,900			222,295
Young Memorial Fund	100,000				100,000
	6,201,350	59,773	NIL	NIL	6,261,123
(b) Endowed Class Funds					
Class of 56	121,555				121,555
Class of 57	45,010	525			45,535
Class of 59	82,487	1,950		17,394	67,043
Class of 60	197,566	8,275			205,841
Class of 62	226,206	22,300			248,506
Class of 62 - Recreation Club	637,646	7,196			644,842
Class of 64	353,281	2,820			356,101
Class of 65 - Teaching Excellence	491,420	9,350			500,770
Class of 66	1,284,841	100	1,093,577		2,378,518
Class of 68	134,155	1,100			135,255
Class of 69 - Bade Bursary	109,833	96			109,929
Class of 70	222,582	2,800			225,382
Class of 72	76,735				76,735
Class of 73			25,000		25,000
Class of 76	150,752	34,710			185,462
Class of 80	40,350				40,350
	4,174,419	91,222	1,118,577	17,394	5,366,824
Total Endowed Funds	10,375,769	150,995	1,118,577	17,394	11,627,917

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8. INTERFUND TRANSFERS

During 2021 the Alumni Association transferred a net total of \$1,118,577 from the restricted fund to the endowed class funds and major giving endowed funds, and a net total of \$2,359 from the major giving endowed restricted fund to the restricted funds. All transfers were approved by the Board of Directors of the Alumni Association or were in accordance with the Donor Agreements.

9. ENDOWED CAPITAL EXPENDED

In 2021, \$17,394 (2020 - \$7,321) was approved for expenditure from the Class of 59 Endowment Capital fund to satisfy payment of a class benefaction.

10. BRANCH CONTRIBUTIONS

The Alumni Association transfers an annually designated fee for each member to branch clubs and branch clubs have the option to return a portion of these fees back to the Alumni Association. These fees are reflected as branch dues with the returned portion included as branch contributions on the statement of operations.

In 2021, there were \$19,328 of fees accrued to branch clubs with \$Nil returned to the Alumni Association. The balance owing to branch clubs at December 31, 2021 is \$19,328. Details of the amounts paid by and returned to the Alumni Association by the branch clubs are disclosed in the financial statements of each branch club.

11. CREDIT FACILITY

The Alumni Association has a demand operating facility agreement for two revolving demand credit facilities in the amount of \$25,000 and \$50,000. As of year end, neither facility has a balance owing.

12. FINANCIAL INSTRUMENTS

The Alumni Association's financial instruments consist of cash and bank, accounts receivable, short-term investments, long-term investments and accounts payable and accrued liabilities. The carrying amounts approximate their fair market value due to the immediate or short-term maturity of these financial instruments except for long-term investments which are disclosed in Note 4 to these financial statements.

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12. FINANCIAL INSTRUMENTS (Cont'd)

(a) Market Risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk, and equity risk.

(i) Currency Risk:

Currency risk relates to the Alumni Association operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur. The Alumni Association's foreign exchange risk is related to its investment portfolio of which less than 0.1% is denominated in the United States dollar.

(ii) Interest Rate Risk:

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Alumni Association is exposed to interest rate risk through its interest bearing investments within the investment portfolio.

(iii) Equity Risk:

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Alumni Association is exposed to this risk through its equity holdings within its investment portfolio.

(b) Credit Risk:

Credit risk is the risk of financial loss to the Alumni Association if a party to the Alumni Association's financial instruments fails to discharge an obligation or make payments of interest and principal when due. The Alumni Association is exposed to this risk relating to its debt holdings in its investment portfolio and in accounts receivable.

(c) Liquidity Risk:

Liquidity risk is the risk that the Alumni Association will not be able to meet all cash outflow obligations as they come due. The Alumni Association mitigates this risk by monitoring cash activities and expected outflows.

There have been no significant changes from the previous period in the exposure to risk or policies, procedures and methods used to measure the risk.

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13. CAPITAL DISCLOSURE

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

14. RELATED PARTY TRANSACTIONS

Prior to the combination, the legacy Foundation and the legacy Club were related parties and shared services that required a transfer between the two legacy organizations in the amount of \$11,671 (2020 - \$15,560). As a result of the combination, debt owing by the legacy Club to the legacy Foundation is considered paid in full and is no longer presented on the statement of financial position. Payments due from the Canadian Forces Central Fund on behalf of the legacy Club to the Alumni Association as described in Note 3 were paid subsequent to year end.