

**ROYAL MILITARY COLLEGES OF CANADA ALUMNI ASSOCIATION INC.
FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2022**

ROYAL MILITARY COLLEGES OF CANADA ALUMNI ASSOCIATION INC.
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AS AT DECEMBER 31, 2022

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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, 2022, 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, 2022, 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, 2022, 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.

**INDEPENDENT AUDITOR'S REPORT
(CONT'D)**

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 18, 2023

Wilkinson & Company LLP

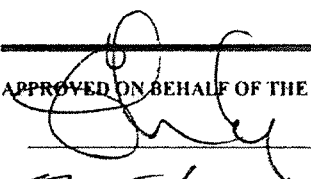
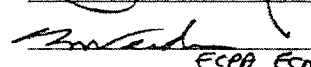
Chartered Professional Accountants
Licensed Public Accountants

WILKINSON & COMPANY LLP - CHARTERED PROFESSIONAL ACCOUNTANTS

ROYAL MILITARY COLLEGES OF CANADA ALUMNI ASSOCIATION INC.
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2022

	Operating Fund \$	Life Membership Investment Fund \$	Restricted Fund \$	Endowment Fund \$	2022 Total \$	2021 Total \$
ASSETS						
CURRENT						
Cash and bank	154,196	825	149,218	15,959	320,198	655,086
Short term investments	150,119		2,525,000		2,675,119	2,275,044
Inventory	115,223				115,223	102,836
Accounts receivable	48,119	3,571			51,690	37,924
Accrued investment income	18,876				18,876	3,136
Due from the Royal Military Colleges Club of Canada						1,499,240
Government remittances receivable	5,970				5,970	13,233
Prepaid expenses	25,916				25,916	10,946
Interfund receivables	73,004		6,337		79,341	271,586
	591,423	4,396	2,680,555	15,959	3,292,333	4,869,031
LONG-TERM						
Tangible capital assets - Note 2(f)	10,631				10,631	14,038
Life insurance policy - cash surrender value			21,337		21,337	20,099
Investments - Note 4		3,673,054	17,181,878	11,782,408	32,637,340	32,952,850
	602,054	3,677,450	19,883,770	11,798,367	35,961,641	37,856,018
LIABILITIES AND FUND BALANCES						
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	69,202				69,202	39,869
Deferred revenue	11,733				11,733	11,140
Government remittances payable	15,233				15,233	5,460
Monies held in trust - Note 5			8,734,800		8,734,800	8,498,267
Interfund payables		79,341			79,341	271,586
	96,168	79,341	8,734,800		8,910,309	8,826,322
FUND BALANCES						
Unrestricted	505,886				505,886	438,652
Life memberships		3,598,109			3,598,109	3,800,243
Restricted - Note 7			11,148,970		11,148,970	13,162,854
Endowed Capital restricted - Note 6				11,798,367	11,798,367	11,627,947
	505,886	3,598,109	11,148,970	11,798,367	27,051,332	29,029,696
	602,054	3,677,450	19,883,770	11,798,367	35,961,641	37,856,018

APPROVED ON BEHALF OF THE BOARD

 President
 Treasurer
FCPA FCA

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, 2022

	Operating Fund		Life Membership Investment Fund		Restricted Fund		Endowment Fund	
	2022	2021	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Administration fee	234,584	210,353						
Advertising revenue	125							
Affinity revenue	238,504	2,380						
Canada Recovery Hiring Program	1,345	70,504						
Donations	9,951	146			422,497	849,557	145,420	150,995
Gift shop revenue	156,017	17,077						
Investment income (loss)	44,440	13,140	(80,618)	72,470	(813,529)	2,378,637		
LMIF permissible withdrawal	132,636	104,932						
Membership revenue	2,811	90	11,120	1,100				
Returns from other qualified donees					14,069			
RMC Research Services - Note 5	242,344	236,224						
Special projects	30,025	10,456						
	1,092,782	665,302	(69,498)	73,570	(376,963)	3,228,194	145,420	150,995
Expenditures								
Administration fee					234,584	210,353		
Administrative	239,311	102,729						
Branch dues - Note 9	27,174	19,273						
College benefactions					950,003	180,976		
Distributions from endowments					425,531	197,270		
Depreciation	4,680	3,616						
Endowed capital expended								17,394
Gift shop - Cost of goods sold	134,884	15,107						
Gifts to other qualified donees					1,803	42,500		
LMIF permissible withdrawal			132,636	104,932				
Personnel	517,594	374,484						
RMC Research Services - Note 5	81,942	71,643						
Special projects	19,963	3,029						
	1,025,548	589,881	132,636	104,932	1,611,921	631,099	NIL	17,394
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) FOR YEAR	67,234	75,421	(202,134)	(31,362)	(1,988,884)	2,597,095	145,420	133,601
FUND BALANCES - BEGINNING OF YEAR	438,652	250,773	3,800,243		13,162,854	11,684,336	11,627,947	10,375,769
TRANSFER FROM RMC CLUB		112,458		3,831,605				
INTERFUND TRANSFERS - Note 8					(25,000)	(1,118,577)	25,000	1,118,577
FUND BALANCES - END OF YEAR	505,886	438,652	3,598,109	3,800,243	11,148,970	13,162,854	11,798,367	11,627,947

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, 2022

	2022	2022	2022	2022	2022	2021
	Operating Fund \$	Life Membership Investment Fund \$	Restricted Fund \$	Endowment Fund \$	Total \$	Total \$
CASH FLOWS FROM OPERATING ACTIVITIES						
Sources of cash						
Canadian Emergency Wage Subsidy						70,504
Donations	3,138		422,497	145,420	571,055	988,539
Gift shop revenue	156,142				156,142	17,077
Memberships	4,404	10,645			15,049	1,591
Research services contract	226,363				226,363	214,565
Government remittances receivable	17,036				17,036	4,019
Affinity	241,194				241,194	
Special projects						2,355
Returns from other qualified donees			14,069		14,069	
CRA wage subsidies	1,345				1,345	
Alumni activities	29,125				29,125	
Due from Royal Military Colleges Club of Canada	229,124	1,270,116			1,499,240	6,238
Investment income	28,700	103,193	392,631		524,524	2,391,776
Uses of cash						
Personnel	(508,184)				(508,184)	(371,058)
Administrative	(236,263)				(236,263)	(108,282)
Research services contract	(82,839)				(82,839)	(71,550)
Benefactions			(950,003)		(950,003)	(197,270)
Endowment distributions			(425,531)		(425,531)	(187,555)
Gift shop inventory and direct expenses	(147,271)				(147,271)	(116,794)
Membership fee transfer to branches	(17,559)				(17,559)	
Alumni activities	(19,963)				(19,963)	
Class of 76 Bereavement Fund	(100)				(100)	
Gifts to other qualified donees			(1,803)		(1,803)	(42,500)
Special projects						(4,012)
CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES	(75,608)	1,383,954	(548,140)	145,420	905,626	2,597,643
CASH FLOWS FROM INVESTING ACTIVITIES						
Increase in life insurance policy - cash surrender value			(1,238)		(1,238)	
Decrease (increase) in investments		(1,329,834)	431,677	(176,304)	(1,074,461)	(3,966,303)
Purchase of computer equipment	(1,273)				(1,273)	(17,654)
CASH FLOWS PROVIDED FROM (USED IN) INVESTING ACTIVITIES	(1,273)	(1,329,834)	430,439	(176,304)	(1,076,972)	(3,983,957)
CASH FLOWS FROM FINANCING ACTIVITIES						
Monies held in trust received			2,840,287		2,840,287	2,132,530
Monies held in trust disbursed			(2,266,039)		(2,266,039)	(2,251,141)
Monies held in trust investment gains (declines)			(337,715)		(337,715)	751,828
CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES			236,533		236,533	633,217
INCREASE (DECREASE) IN CASH AND EQUIVALENTS FOR YEAR	(76,881)	54,120	118,832	(30,884)	65,187	(753,097)
CASH AND EQUIVALENTS - BEGINNING OF YEAR	358,566		2,549,721	21,843	2,930,130	3,683,227
INTERFUND ADJUSTMENTS	22,630	(53,295)	5,665	25,000		
CASH AND EQUIVALENTS - END OF YEAR	304,315	825	2,674,218	15,959	2,995,317	2,930,130
REPRESENTED BY:						
Cash and short term investments	304,315	825	2,674,218	15,959	2,995,317	2,930,130

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, 2022**

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*. 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) 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.

**ROYAL MILITARY COLLEGES OF CANADA ALUMNI ASSOCIATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

2. ACCOUNTING POLICIES (Cont'd)

(c) Fund Accounting (Cont'd)

(ii) 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.

(iii) 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.

(iv) 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.

(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 LMIF 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, 2022

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 Instruments

(i) Measurement of Financial Instruments

The Alumni Association initially measures its financial assets and liabilities at fair value adjusted by, in the case of financial instruments that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Alumni Association subsequently measures all its financial assets and liabilities at amortized cost except for equities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized as income.

Financial assets measured at amortized cost include cash, accounts receivable, short-term investments, government remittances receivable, life insurance policy, and long-term investments. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, government remittances payable and monies held in trust.

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recorded in net income. When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the impairment amount previously recognized.

(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 2022, the Alumni Association recorded \$4,680 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.

**ROYAL MILITARY COLLEGES OF CANADA ALUMNI ASSOCIATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

2. ACCOUNTING POLICIES (Cont'd)

(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.

(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.

**ROYAL MILITARY COLLEGES OF CANADA ALUMNI ASSOCIATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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

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 December 31, 2021 and were shown on the statement of operations and changes in fund balances as revenue of the LMIF. At December 31, 2021, the investment account continued to be held in the name of the Club and was transferred into the name of the Alumni Association subsequent to the 2021 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 December 31, 2021, were subsequently received on January 28, 2022.

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 for the prior year 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. At the combination date, no adjustments were necessary to align the accounting policies.

4. LONG-TERM INVESTMENTS

The investments held at December 31, 2022 consist of bonds and equities. Investments have been recorded at the fair market value provided by Canso Investment Counsel Ltd. as at December 31, 2022 and December 30, 2021.

ROYAL MILITARY COLLEGES OF CANADA ALUMNI ASSOCIATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

4. LONG-TERM INVESTMENTS (Cont'd)

	2022	2021
	\$	\$
Restricted and Endowment Fund		
Canadian equity	67,313	61,380
Foreign equity		15,944
TDV Balanced Fund	22,836,490	24,399,949
	22,903,803	24,477,273
Life Membership Investment Fund		
TDV Balanced Fund	3,673,054	2,527,031
Monies Held in Trust - Note 5		
Canadian fixed income	4,985,765	4,642,010
Canadian equity	519,800	729,630
Foreign equity	554,918	576,906
	6,060,483	5,948,546
	32,637,340	32,952,850

5. 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 \$160,402 (2021 - \$164,581).

ROYAL MILITARY COLLEGES OF CANADA ALUMNI ASSOCIATION INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

6. EXTERNALLY RESTRICTED - ENDOWED CAPITAL FUNDS

	Opening Balance \$	Donations \$	Interfund Transfer \$	Endowed Capital Expended \$	Ending Balance \$
Major Giving Endowed Funds					
Battlefield Tour	3,003,297	250			3,003,547
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	373,125	910			374,035
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	243,674	9,500			253,174
Netherlands Liberation	177,365	7,000			184,365
No. 1 Fund - Wurtele	143,759				143,759
P Cadieux Memorial Award Fund	40,000				40,000
Phil Cowie Endowment	26,225	300			26,525
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
RMC Female Bronze Statue			25,000		25,000
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	134,215	33,425			167,640
Toronto Branch	25,655				25,655
UTPNM Fund (Otter Sqn)	19,301	120			19,421
W.A. Ferguson	10,000				10,000
Wall of Honour	222,295	1,600			223,895
Wolfgang Eder Bursary Fund		51,066			51,066
Young Memorial Fund	100,000				100,000
	6,261,123	104,171	25,000	NIL	6,390,294
Class Endowed Funds					
Class of 56	121,555				121,555
Class of 57	45,535	125			45,660
Class of 59	67,043	1,250			68,293
Class of 60	205,841	4,588			210,429
Class of 62	248,506				248,506
Class of 62 - Recreation Club	644,842	6,696			651,538
Class of 64	356,101	2,875			358,976
Class of 65 - Teaching Excellence	500,770	3,675			504,445
Class of 66	2,378,518	350			2,378,868
Class of 68	135,255	1,000			136,255
Class of 69 - Bade Bursary	109,929				109,929
Class of 70	225,382	4,200			229,582
Class of 72	76,735				76,735
Class of 73	25,000				25,000
Class of 76	185,462	16,490			201,952
Class of 80	40,350				40,350
	5,366,824	41,249	NIL	NIL	5,408,073
	11,627,947	145,420	25,000	NIL	11,798,367

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7. RESTRICTED FUND

The Restricted fund balance includes both internally and externally restricted funds. The internally restricted fund also comprises a non-endowed fund named the TDV fund established in 2017. The fund receives unrestricted donations as well as the residual share of the annual investment income/loss. The Board of Directors is required to approve any transfers to the Operating fund. As of December 31, 2022 there have been no transfers from the TDV fund to support the Operating fund.

8. INTERFUND TRANSFERS

During 2022 the Alumni Association transferred a net total of \$25,000 from the Restricted Funds to the Major Giving Endowed Fund. All transfers were approved by the Board of Directors of the Alumni Association or were in accordance with the Donor Agreements.

9. 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 2022, there were \$27,174 (2021 - \$19,273) of fees accrued to branch clubs with \$3,138 (2021 - \$Nil) returned to the Alumni Association. The balance owing to branch clubs at December 31, 2022 is \$28,943 (2021 - \$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.

10. 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.

11. FINANCIAL RISKS AND CONCENTRATION OF RISKS

The Alumni Association has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include market risk, credit risk and liquidity risk.

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11. FINANCIAL RISKS AND CONCENTRATION OF RISKS (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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12. 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.

13. IMPACTS OF COVID-19

Since the beginning of 2020, the coronavirus disease COVID-19 has had a considerable impact, both globally and locally.

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 on the Alumni Association could not be determined.

14. COMPARATIVE FIGURES

In order to conform with the financial statement presentation adopted for the current year, certain elements of the comparative figures have been regrouped.