

DRAFT - FOR REVIEW PURPOSES

**ROYAL CANADIAN AIR FORCE ASSOCIATION TRUST
FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**



MCCAY DUFF LLP

Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

To the Trustees of
Royal Canadian Air Force Association Trust

Report on the Financial Statements

We have audited the accompanying financial statements of Royal Canadian Air Force Association Trust, which comprise the statements of financial position as at June 30, 2013 and June 30, 2012, and the statement of operations for the years ended June 30, 2013 and June 30, 2012 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



INDEPENDENT AUDITORS' REPORT

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Trust derives revenue from the general public in the form of donor contributions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Trust and we were not able to determine whether any adjustments might be necessary to revenue from donor contributions, net revenue for the year and cash flows from operations for the years ended June 30, 2013 and June 30, 2012, current assets and net assets as at June 30, 2013 and June 30, 2012.

Qualified Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Royal Canadian Air Force Association Trust as at June 30, 2013, June 30, 2012, and July 1, 2011 and the results of its operations and its cash flows for the years ended June 30, 2013 and June 30, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the Canada Corporations Act, we report that, in our opinion, these accounting principles have been applied on a basis consistent with that of the preceding year.

McCay Duff LLP,
Licensed Public Accountants.

Ottawa, Ontario,

ROYAL CANADIAN AIR FORCE ASSOCIATION TRUST

STATEMENTS OF FINANCIAL POSITION

AS AT JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT		
Cash - unrestricted	\$ 33,596	\$ 31,022
- restricted (note 5)	17,361	36,986
Investment	<u>22,459</u>	<u>22,071</u>
	<u>\$ 73,416</u>	<u>\$ 90,079</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 4,677	\$ 11,298
Deferred contributions (note 5)	<u>17,361</u>	<u>36,986</u>
	22,038	48,284
NET ASSETS		
BALANCE - BEGINNING OF YEAR	41,795	40,678
Net revenue for the year	<u>9,583</u>	<u>1,117</u>
BALANCE - END OF YEAR	<u>51,378</u>	<u>41,795</u>
	<u>\$ 73,416</u>	<u>\$ 90,079</u>

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Approved on behalf of the Trust:

Trustee

Trustee

ROYAL CANADIAN AIR FORCE ASSOCIATION TRUST

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
REVENUE		
Contributions		
Individuals (Undesignated)	\$ 25,354	\$ 2,503
422 Wing (for Air Cadet Project)	644	466
Air Cadet League of Canada	2,550	610
441 Wing (for Totem Pole)	-	500
Individuals (for 427 Squadron Association)	640	1,284
Individuals (for 447 Wing Heritage Project)	-	10,000
Individuals (for 434 Wing)	-	3,900
Individuals (for RAF Leeming Servic)	1,898	27,331
The Veterans Documentary Series	45,000	13,500
Individuals (for Bagotville Air Defence Museum)	-	34,962
RAF Benevolent Fund - England	1,170	-
Individuals (for Bomber Command Memorial)	4,545	11,052
Individuals (The Canadian Warplane Heritage Museum)	36,945	3,364
Individuals (Afghanistan Repatriation Foundation)	-	300
Individuals (for Bomber Command Book)	3,757	-
Individuals (for Yellow Wing 2013)	25,734	-
Interest - Investments/Bank Account	<u>468</u>	<u>399</u>
REVENUE - CARRIED FORWARD	\$ 148,705	\$ 110,171

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ROYAL CANADIAN AIR FORCE ASSOCIATION TRUST

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
REVENUE - CARRIED FORWARD	\$ 148,705	\$ 110,171
EXPENSES		
Grant to Atlantic Group WW 11 Hudson Bomber	-	350
Grant to 422 Wing Air Cadet Awards Program	644	466
Grant to 427 Squadron Association	640	1,284
Grant to 434 Wing	-	3,900
Grant to RCAF Benevolent Fund	1,052	-
Grant to 447 Wing Heritage Project	-	10,000
Grant to 6299 Kiwanis-Sillery Sign	-	500
Grant to 893 Beaufort Air Cadets	-	250
Grant to Air Cadet League of Canada	3,160	-
Grant to Canadian Aviation Museum	-	500
Grant to Afghanistan Repatriation Foundation	-	800
Grant to RAF Leeming Servic	1,898	27,331
Grant to University of Victoria-Military History Project	1,000	250
Grant to Danish Defence Brothers of Fredericjal	1,021	-
Grant to Veterans UN-NATO Canada	2,025	-
Grant to Bomber Command Memorial Book	2,660	-
Bomber Command Memorial Book administration costs	1,097	-
Grant to The Veterans Documentary Series	41,900	13,522
Grant to Canadian Warplane Heritage Museum	35,000	-
The Canadian Warplane Heritage Museum administration costs	3,144	3,364
Grant to Base Bordon Military Museum Totem Pole	-	1,000
Grant to Air Cadet League of Quebec and Ottawa Valley	-	500
Grant to Bagotville Air Defence Museum	-	30,850
Bagotville Air Defence Museum administration costs	-	2,478
Grant to Yellow Wing 2013	33,577	-
Yellow Wing 2013 administration costs	2,845	-
Bomber Command Memorial administration costs	4,544	11,052
Office	196	611
Administration	2,682	-
Bank charges	<u>37</u>	<u>46</u>
TOTAL EXPENSES FOR THE YEAR	<u>139,122</u>	<u>109,054</u>
NET REVENUE FOR THE YEAR	\$ <u>9,583</u>	\$ <u>1,117</u>

ROYAL CANADIAN AIR FORCE ASSOCIATION TRUST

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

1. ORGANIZATION AND ACCOUNTING FRAMEWORK

The Royal Canadian Air Force Association Trust (the "Trust") is a subsidiary of the Air Force Association of Canada, created in accordance with the Trust Agreement, and is responsible for raising and distributing funds at the National Level for the Association's charitable programs. The Trust is a registered charitable organization.

On July 1, 2012, the Trust adopted Canadian accounting standards for not-for-profit organizations ("ASNPO"). These are the first financial statements prepared in accordance with ASNPO.

In accordance with the transitional provisions in ASNPO, the Trust has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is July 1, 2011, and all comparative information provided has been presented by applying ASNPO.

There were no adjustments to net assets as at July 1, 2011 or net revenue for the year ended June 30, 2012 as a result of the transition to ASNPO. Accordingly, a statement of financial position as at July 1, 2011 has not been presented with these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Trust's significant accounting policies are as follows:

(a) Revenue Recognition

The Trust follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which related restrictions are met. Unrestricted contributions are recognized as revenue when received or receivable, if the amount can be reasonably estimated, and collection is reasonably assured.

(b) Volunteer Services

The Trust receives the services of volunteers, the cost of which cannot be reasonably estimated. Therefore, no representation of this expense has been included in these financial statements.

(c) Financial Instruments

The Trust's financial instruments consist of cash, investments, and accounts payable and accrued liabilities.

Measurement

Financial instruments are recorded at fair value on initial recognition.

The Trust subsequently measures its financial instruments as follows:

Cash, and accounts payable and accrued liabilities are subsequently measured at amortized cost.

ROYAL CANADIAN AIR FORCE ASSOCIATION TRUST

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

2. SIGNIFICANT ACCOUNTING POLICIES

(c) Financial Instruments (Cont'd.)

Investments are subsequently measured at fair value. Changes in fair value are recognized in net revenue.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down or subsequent recovery is recognized in net revenue.

(e) Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. These estimates are reviewed periodically and adjustments are made to net revenue as appropriate in the year they become known.

3. FINANCIAL RISKS AND CONCENTRATION OF RISKS

It is management's opinion that the Trust is not exposed to significant interest rate, liquidity, market, currency or credit risks arising from its financial instruments. There has been no change to the risk exposure from 2012.

4. CASH - RESTRICTED

During the year the Trust acted as administrator for the projects of the Typhoon Memorial Maintenance Fund, RAF Leeming Servic, Bomber Command Memorial, Canadian Warplane Heritage Museum and Bomber Command Memorial Book. Funds held in the Trust bank account relating to these projects which have not yet been disbursed are recorded in deferred revenue (note 5). The amounts will be recognized as revenue and expense when the funds are disbursed.

ROYAL CANADIAN AIR FORCE ASSOCIATION TRUST

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

5. DEFERRED CONTRIBUTIONS

	<u>Typhoon Memorial Maintenance</u>	<u>Bomber Command Memorial</u>	<u>Canadian Warplane Heritage Museum</u>	<u>RAF Leeming Service</u>	<u>Bomber Command Memorial Book</u>	<u>Total</u>
Balance - beginning of year	\$ 6,100	\$ 15,523	\$ 14,525	\$ 838	\$ -	\$ 36,986
Amounts received during the year	500	10,300	9,420	2,100	5,200	27,520
Transfers	-	(13,000)	13,000	-	-	-
Amounts recognized as revenue during the year	<u>-</u>	<u>(4,545)</u>	<u>(36,945)</u>	<u>(1,898)</u>	<u>(3,757)</u>	<u>(47,145)</u>
Balance - end of year	<u>\$ 6,600</u>	<u>\$ 8,278</u>	<u>\$ -</u>	<u>\$ 1,040</u>	<u>\$ 1,443</u>	<u>\$ 17,361</u>

During the year, the Trustees received donor approval to transfer \$13,000 from the Bomber Command Memorial project to the Canadian Warplane Heritage Museum project.

6. RELATED PARTIES

Royal Canadian Air Force Association Trust is a subsidiary of the Air Force Association of Canada. The entities share office space and administrative services.

7. STATEMENT OF CASH FLOWS

This statement has not been prepared as management is of the opinion that all of the relevant information is apparent from the other financial statements.