

ROYAL CANADIAN AIR FORCE ASSOCIATION TRUST
FINANCIAL STATEMENTS

JUNE 30, 2012

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 balance sheet as at June 30, 2012, and the statement of revenue and expenditures for the year then ended, 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 generally accepted accounting principles, 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 audit. We conducted our audit 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.

MCCAY DUFF LLP

Chartered Accountants

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MARGARET N. EGAN C.A.
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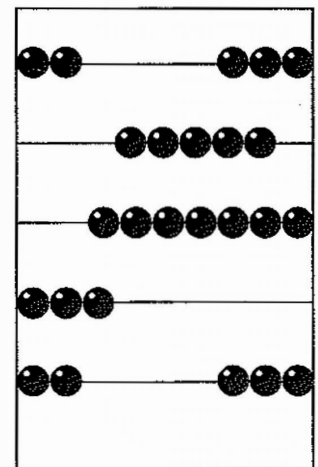
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INDEPENDENT AUDITORS' REPORT

We believe that the audit evidence we have obtained 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. Therefore, we were not able to determine whether any adjustments might be necessary to revenue from donations, net revenue and cash flows from operations for the years ended June 30, 2012 and June 30, 2011, and current assets and equity as at June 30, 2012 and June 30, 2011. Our audit opinion on the financial statements for the year ended June 30, 2011 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Royal Canadian Air Force Association Trust as at June 30, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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.

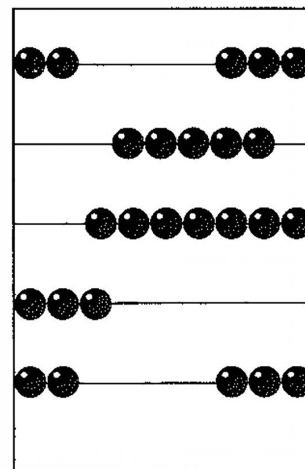
MCCAY DUFF LLP

McCay Duff LLP,
Licensed Public Accountants.

Ottawa, Ontario,
September 21, 2012.

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ROYAL CANADIAN AIR FORCE ASSOCIATION TRUST

BALANCE SHEET

AS AT JUNE 30, 2012

ASSETS

	<u>2012</u>	<u>2011</u>
CURRENT		
Cash - unrestricted	\$ 31,022	\$ 19,003
- restricted (note 5)	36,986	37,742
Investment	<u>22,071</u>	<u>21,675</u>
	<u>\$ 90,079</u>	<u>\$ 78,420</u>

LIABILITIES

CURRENT		
Accounts payable and accrued liabilities	\$ 11,298	\$ -
Deferred revenue (note 5)	<u>36,986</u>	<u>37,742</u>
	48,284	37,742

EQUITY

BALANCE - BEGINNING OF YEAR	40,678	38,881
Net revenue for the year	<u>1,117</u>	<u>1,797</u>
BALANCE - END OF YEAR	<u>41,795</u>	<u>40,678</u>
	<u>\$ 90,079</u>	<u>\$ 78,420</u>

Approved on behalf of the Trust:

Trustee

Trustee

ROYAL CANADIAN AIR FORCE ASSOCIATION TRUST

STATEMENT OF REVENUE AND EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2012

	<u>2012</u>	<u>2011</u>
REVENUE		
Contributions		
Individuals (Undesignated)	\$ 2,503	\$ 9,869
422 Wing (for Air Cadet Project)	466	927
Air Cadet League of Canada	610	-
441 Wing (for Totem Pole)	500	-
Individuals (for 427 Squadron Association)	1,284	-
Individuals (for 447 Wing Heritage Project)	10,000	25,172
Individuals (for Aeronca Aircraft Project)	-	100
Individuals (for Halifax 57 Rescue)	-	25
Hawk One Project	-	2,500
Individuals (for 434 Wing)	3,900	-
Individuals (for 427 Squadron Association)	-	1,425
Individuals (in Memory of Raymond Baker)	-	100
Individuals (for RAF Leeming Servic)	27,331	4,125
The Veterans Documentary Series	13,500	10,000
Individuals (for Comox Air Force Museum)	-	12,076
Individuals (for Bagotville Air Defence Museum)	34,962	1,768
Individuals (for Bomber Command Memorial)	11,052	-
Individuals (The Canadian Warplane Heritage Museum)	3,364	-
Individuals (Afghanistan Repatriation Foundation)	300	-
Interest - Investments/Bank Account	<u>399</u>	<u>316</u>
REVENUE - CARRIED FORWARD	\$ 110,171	\$ 68,403

ROYAL CANADIAN AIR FORCE ASSOCIATION TRUST

STATEMENT OF REVENUE AND EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2012

	<u>2012</u>	<u>2011</u>
REVENUE - CARRIED FORWARD	\$ 110,171	\$ 68,403
EXPENDITURES		
Grant to Atlantic Group WW 11 Hudson Bomber	350	-
Grant to 422 Wing Air Cadet Awards Program	466	927
Grant to 427 Squadron Association	1,284	1,425
Grant to 434 Wing	3,900	-
Grant to Hawk One Project	-	2,500
Grant to 447 Wing Heritage Project	10,000	25,172
Grant to 450 Wing	-	5,000
Grant to 6299 Kiwanis-Sillery Sign	500	-
Grant to Aeronca Aircraft Project	-	100
Grant to Fondation Aerovision Québec	-	1,000
Grant to 893 Beaufort Air Cadets	250	-
Grant to 971 Wing Monument Refurbishing	-	500
Grant to Canadian Aviation Museum	500	1,000
Grant to Afghanistan Repatriation Foundation	800	-
Grant to Comox Air Force Museum	-	11,879
Grant to Halifax 57 Rescue	-	25
Grant to RAF Leeming Servic	27,331	4,125
Grant to 200 Wing Aviation Heritage	-	1,000
Grant to University of Victoria-Military History Project	250	-
Grant to The Veterans Documentary Series	13,522	10,000
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	-
Office	611	121
Bagotville Air Defence Museum administration costs	2,478	1,768
The Canadian Warplane Heritage Museum administration costs	3,364	-
Bomber Command Memorial administration costs	11,052	-
Bank charges	<u>46</u>	<u>64</u>
TOTAL EXPENDITURES FOR THE YEAR	<u>109,054</u>	<u>66,606</u>
NET REVENUE FOR THE YEAR	\$ <u>1,117</u>	\$ <u>1,797</u>

ROYAL CANADIAN AIR FORCE ASSOCIATION TRUST

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

1. PURPOSE OF 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.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

Revenue and expenditures are recorded on the accrual basis, whereby they are reflected in the accounts in the period in which they have been earned and incurred respectively, whether or not such transactions have been finally settled by the receipt or payment of money.

(b) Volunteer Services

Volunteers assist the Trust in carrying out its service delivery activities. Due to the difficulty of determining their fair value, volunteer services are not recognized in the financial statements.

(c) Investment

Investment, consisting of a guaranteed investment certificate, is classified as held-for-trading and is recorded at fair value. Fair value is determined by reference to published price quotations in an active market. The investment is adjusted annually to market value.

3. FINANCIAL INSTRUMENTS

The Trust's financial instruments consist of cash, investment and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values, unless otherwise stated. It is management's opinion that the Trust is not exposed to significant interest rate or credit risks arising from these financial instruments.

4. CAPITAL MANAGEMENT

The Trust considers its capital to be the balance maintained in its Equity. The primary objective of the Trust is to invest its capital in a manner that will allow it to continue as a going concern and comply with its stated objectives. Capital is invested under the direction of the Board of Trustees of the Trust with the objective of providing a reasonable rate of return, minimizing risk and ensuring adequate liquid investments are on hand for current cash flow requirements. The Trust is not subject to externally imposed requirements on its capital other than certain contributions to the Trust and amounts collected for specific projects which are restricted to uses specified by the donor.

ROYAL CANADIAN AIR FORCE ASSOCIATION TRUST

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

5. CASH - RESTRICTED

During the year the Trust acted as administrator for the project of the Typhoon Memorial Maintenance Fund, RAF Leeming Servic, Bomber Command Memorial and Canadian Warplane Heritage Museum . Funds held in the Trust bank account relating to these projects which have not yet been disbursed amount to \$6,100, \$838, \$15,524 and \$14,524 respectively. These amounts will be recognized as income and expense when the funds are disbursed.

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. At June 30, 2012 the Trust has recorded a payable to the Association in the amount of \$9,628.

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.