

**ROYAL CANADIAN AIR FORCE ASSOCIATION/
ASSOCIATION DE L'AVIATION ROYALE CANADIENNE**

FINANCIAL STATEMENTS

JUNE 30, 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of the Royal Canadian Air Force Association/Association de l'Aviation royale canadienne:

I have audited the accompanying financial statements of the Royal Canadian Air Force Association/Association de l'Aviation royale canadienne which comprise the balance sheet as at June 30, 2018 and the statements of operations, changes in net assets and cash flows 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 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 auditor's 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion

The entity derives revenue from royalties, sponsorships and donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, my verification of revenue from these sources and related expenses was limited to the amounts recorded in the accounts of the entity and I was not able to determine whether any adjustments might be

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necessary to revenue from royalties, sponsorships and donations, excess of revenue over expenses, assets and net assets.

Qualified Opinion

In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Royal Canadian Air Force Association/Association de l'Aviation royal canadienne as at June 30, 2018 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Ottawa, August 29, 2018

Ted R. Lupinski, C.P.A., C.A. Professional Corporation,
Authorized to practice public accounting by CPA Ontario

ROYAL CANADIAN AIR FORCE ASSOCIATION
ASSOCIATION DE L'AVIATION ROYALE CANADIENNE

BALANCE SHEET - JUNE 30, 2018

ASSETS

	<u>2018</u>	<u>2017</u>
<u>Current Assets</u>		
Cash	\$ 211,032	\$ 92,991
Accounts receivable	31,578	29,904
Inventory	42,973	33,266
Prepaid expenses	<u>12,293</u>	<u>9,960</u>
	297,876	166,121
<u>Investments</u> (note 2)	236,277	283,447
<u>Capital Assets</u> (note 3)	<u>9,888</u>	<u>9,163</u>
	<u>\$ 544,041</u>	<u>\$ 458,731</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accounts payable and accrued liabilities	\$ 44,404	\$ 27,977
Payroll and withholding taxes	-	-
Deferred revenue	<u>183,029</u>	<u>142,071</u>
	<u>227,433</u>	<u>170,048</u>
<u>Net Assets</u>		
Invested in capital assets	9,888	9,163
Unrestricted surplus	<u>306,720</u>	<u>279,520</u>
	<u>316,608</u>	<u>288,683</u>
	<u>\$ 544,041</u>	<u>\$ 458,731</u>

APPROVED BY THE NATIONAL EXECUTIVE COUNCIL

_____ Director

_____ Director

ROYAL CANADIAN AIR FORCE ASSOCIATION
ASSOCIATION DE L'AVIATION ROYALE CANADIENNE

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2018

	Invested in capital assets	Unrestricted surplus	Total 2018	Total 2017
<u>Balance - beginning of year</u>	\$ 9,163	\$ 279,520	\$ 288,683	\$ 290,852
Excess of revenue over expenses (expenses over revenue)	-	27,925	27,925	(2,169)
Amortization of capital assets	(3,435)	3,435	-	-
Acquisition of capital assets	4,160	(4,160)	-	-
<u>Balance - end of year</u>	<u>\$ 9,888</u>	<u>\$ 306,720</u>	<u>\$ 316,608</u>	<u>\$ 288,683</u>

ROYAL CANADIAN AIR FORCE ASSOCIATION
ASSOCIATION DE L'AVIATION ROYALE CANADIENNE

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>
<u>Revenue</u>		
Membership dues and subscriptions	\$ 229,375	\$ 249,407
Non-member subscriptions	33,519	33,475
Advertising	36,452	36,635
AGM	-	13,251
Donations	1,041	1,961
Grant	39,258	47,048
Royalties	53,372	35,042
Sales	64,870	43,275
Sponsorships	8,350	6,200
Investment income	2,747	4,680
Unrealized investment gains	-	221
Other	9,877	10,640
	<u>478,861</u>	<u>481,835</u>
<u>Expenses</u>		
Advertising and promotion	11,484	16,804
AGM	95	46,344
Amortization	3,435	2,682
Cost of sales	44,397	31,021
Insurance	2,552	2,553
Interest, bank and credit card charges	4,731	2,799
Memberships	3,603	2,775
National Executive Council meetings and travel	17,817	8,862
Office	32,183	31,951
Postage and delivery	35,881	33,814
Professional fees	9,626	9,240
Publications	47,654	48,367
Rent	29,266	31,768
Salaries, contract services and benefits	195,176	201,475
Telephone	5,333	7,015
Travel	7,703	6,534
	<u>450,936</u>	<u>484,004</u>
<u>Excess of revenue over expenses (expenses over revenue)</u>	<u>\$ 27,925</u>	<u>\$ (2,169)</u>

ROYAL CANADIAN AIR FORCE ASSOCIATION
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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>
<u>Cash provided by operating activities</u>		
Excess of revenue over expenses (expenses over revenue)	\$ 27,925	\$ (2,169)
Items not affecting cash balances		
Amortization of capital assets	3,435	2,682
Net change in other non-cash working capital	<u>43,671</u>	<u>(40,371)</u>
	<u>75,031</u>	<u>(39,858)</u>
<u>Investing activities</u>		
Acquisition of capital assets	(4,160)	(8,212)
(Increase) decrease in investments	<u>47,170</u>	<u>34,311</u>
	<u>43,010</u>	<u>26,099</u>
<u>Change in cash and cash equivalents</u>	118,041	(13,759)
<u>Cash and cash equivalents, beginning of year</u>	<u>92,991</u>	<u>106,750</u>
<u>Cash and cash equivalents, end of year</u>	<u>\$ 211,032</u>	<u>\$ 92,991</u>

ROYAL CANADIAN AIR FORCE ASSOCIATION
ASSOCIATION DE L'AVIATION ROYALE CANADIENNE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

1. Description

The Royal Canadian Air Force Association/Association de l'Aviation royale canadienne (the "Association") purpose is to provide a forum for serving current and former participants in military aviation and their contemporaries in civil aviation. The Association was originally incorporated under the Canada Corporation Act and during the 2015 fiscal year it received a certificate of continuance under the Canada Not-for-profit Corporations Act. The Association is exempt from income taxes under the Income Tax Act.

The certificate of continuance issued October 17, 2014 changed the name of the organization from Air Force Association of Canada to Royal Canadian Air Force Association/Association de l'Aviation royale canadienne

2. Significant accounting policies

The financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Revenue recognition:

Membership dues and sponsorship revenue is recognized in the period to which they relate. Amounts received in advance are recorded as deferred revenue.

Advertising, magazine sales, merchandise sales, national convention, donations and other revenue are recorded in the period in which the service is provided.

Investment revenue is comprised of interest from fixed income investments.

(b) Investments:

Investments, which consist of guaranteed investment certificates, are recorded at fair market value.

(c) Capital assets:

Capital assets are recorded at cost and amortization is calculated on a reducing balance basis at the following annual rates:

Furniture and equipment	20%
Computer equipment	30%

The half-year rule is used in the year of acquisition.

ROYAL CANADIAN AIR FORCE ASSOCIATION
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(d) Royal Canadian Air Force Association Trust:

These financial statements do not include the accounts of the Royal Canadian Air Force Association Trust (the "Trust") since this fund cannot be utilized by the Association for its operations. The Trust is affiliated with the Royal Canadian Air Force Association/Association de l'Aviation royale canadienne, 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 entities share office space and administrative services. The Trust is a registered charitable organization. As at June 30, 2018, the Trust held assets of \$82,651, liabilities of \$40,771 and equity of \$41,880. Revenue for the year ending June 30, 2018 was \$117,290 and total expenses were \$117,504. These figures have not been subject to audit.

(e) Groups and Wings:

These financial statements do not include the accounts of the Groups and Wings of the Association.

(f) Inventory:

Inventory is stated at lower of cost and next realizeable value. Cost is determined on the first-in, first-out basis.

(g) 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 amounts recorded in the financial statements. These estimates are based on management's best knowledge of current events and actions that the organization may undertake in the future. Actual results could differ from those estimates.

(h) Donated materials and services:

Donated materials and services are not recognized in the accounts, unless they would otherwise be purchased.

3. Capital assets

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 9,182	\$ 4,092	\$ 5,090	\$ 6,608
Computer equipment	6,706	1,908	4,798	2,555
	<u>\$ 15,888</u>	<u>\$ 6,000</u>	<u>\$ 9,888</u>	<u>\$ 9,163</u>

ROYAL CANADIAN AIR FORCE ASSOCIATION
ASSOCIATION DE L'AVIATION ROYALE CANADIENNE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

4. Financial instruments

Cash, accounts receivable, accounts payable and accrued liabilities and deferred revenue are financial instruments with a market value presumed to be equal to their book value because of their short-term nature. It is management's opinion that the entity is not exposed to significant interest rate, currency, liquidity or credit risks arising from these financial instruments.

5. Related parties transactions

The entity has concluded transactions with its employees and its National Executive Council. These transactions have occurred in the current course of business.

6. Lease obligation

The entity has entered into a lease agreement for office space over a two year term expiring on January 31, 2019. The basic rent on an annual basis is as follows:

<u>Year ended</u>	<u>Amount</u>
January 31, 2019	\$11,655