

**ROYAL MILITARY COLLEGES OF CANADA FOUNDATION INC.**  
**FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2018**

ROYAL MILITARY COLLEGES OF CANADA FOUNDATION INC.

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AS AT DECEMBER 31, 2018

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Royal Military Colleges of Canada Foundation Inc.

### **Report on the Audit of the Financial Statements**

#### **Qualified Opinion**

We have audited the financial statements of Royal Military Colleges of Canada Foundation Inc. (the Foundation), which comprise the statement of financial position as at December 31, 2018, 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 Foundation as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

#### **Basis for Qualified Opinion**

In common with many charitable organizations, the Foundation 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 Foundation and we were not able to determine whether, as at and for the years ended December 31, 2018 and December 31, 2017, 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 Foundation 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 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.

In preparing these financial statements, management is responsible for assessing the Foundation'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 Foundation, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

### **WILKINSON & COMPANY LLP - CHARTERED ACCOUNTANTS**

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### **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 Foundation'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 Foundation'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 Foundation 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 7, 2019

*Wilkinson & Company LLP*  
Chartered Professional Accountants  
Licensed Public Accountants

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ROYAL MILITARY COLLEGES OF CANADA FOUNDATION INC.  
STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Operating Fund \$	Restricted Fund \$	Endowment Fund \$	2018 Total \$	2017 Total \$
<b>ASSETS</b>					
<b>CURRENT</b>					
Cash and bank	153,410	212,561	61,030	427,001	439,356
Short term investments	350,488	1,425,000		1,775,488	1,675,059
Accounts receivable	17,761			17,761	14,152
Accrued investment income	3,545			3,545	2,639
Due from the Royal Military Colleges Club of Canada - current - Note 9	3,250			3,250	3,250
Government remittances receivable	20,230			20,230	15,776
Prepaid expenses	8,030			8,030	9,423
Inter - fund receivables		261,809		261,809	231,984
<b>LONG-TERM</b>					
Due from the Royal Military Colleges Club of Canada - Note 9	556,714	1,899,370	61,030	2,517,114	2,391,639
Life insurance policy - cash surrender value	12,738	16,519		12,738	15,988
Investments - Note 3		7,155,262	7,646,661	14,801,923	13,930,482
	569,452	9,071,151	7,707,691	17,348,294	16,353,496
<b>LIABILITIES AND FUND BALANCES</b>					
<b>CURRENT</b>					
Accounts payable and accrued liabilities	12,358			12,358	22,915
Deferred revenue	1,500			1,500	5,400
Monies held in trust - Note 4		1,637,567		1,637,567	1,449,361
Inter - fund payables	261,809			261,809	231,984
	275,667	1,637,567		1,913,234	1,709,660
<b>FUND BALANCES</b>					
Unrestricted	293,785			293,785	296,925
Externally restricted		7,433,584		7,433,584	8,700,069
Externally restricted - Note 5			7,707,691	7,707,691	5,646,842
	293,785	7,433,584	7,707,691	15,435,060	14,643,836
	569,452	9,071,151	7,707,691	17,348,294	16,353,496

APPROVED ON BEHALF OF THE BOARD

President

Treasurer

RCMA ERMA

**ROYAL MILITARY COLLEGES OF CANADA FOUNDATION INC.**  
**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Operating Fund		Restricted Fund		Endowed Fund	
	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$
<b>Revenue</b>						
Administration fee	137,211	118,654				
Donations	7,851	16,589	468,870	1,373,145	1,726,532	180,195
Investment income	23,183	14,822	(518,943)	1,292,282		
RMC Research Services - Note 4	141,472	155,747				
Special projects	178,275	74,174				
	<b>487,992</b>	<b>379,986</b>	<b>(50,073)</b>	<b>2,665,427</b>	<b>1,726,532</b>	<b>180,195</b>
<b>Expenditures</b>						
Administration fee			137,211	118,654		
Administrative	90,121	83,556				
College benefactions			325,113	337,437		
Distributions from endowments			399,204	261,897		
Gifts to other qualified donees	11,975	6,262	20,567	18,896		
Personnel	314,196	324,937				
RMC Research Services - Note 4	48,650	46,176				
Special projects	26,190	29,959				
	<b>491,132</b>	<b>490,890</b>	<b>882,095</b>	<b>736,884</b>	<b>NIL</b>	<b>NIL</b>
<b>EXCESS OF REVENUE OVER</b>						
<b>EXPENDITURES (EXPENDITURES</b>						
<b>OVER REVENUE) FOR YEAR</b>	<b>(3,140)</b>	<b>(110,904)</b>	<b>(932,168)</b>	<b>1,928,543</b>	<b>1,726,532</b>	<b>180,195</b>
<b>FUND BALANCES - BEGINNING OF</b>						
<b>YEAR</b>	<b>296,925</b>	<b>402,829</b>	<b>8,700,069</b>	<b>7,084,506</b>	<b>5,646,842</b>	<b>5,158,667</b>
<b>INTERFUND TRANSFERS - Note 6</b>		<b>5,000</b>	<b>(334,317)</b>	<b>(312,980)</b>	<b>334,317</b>	<b>307,980</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>293,785</b>	<b>296,925</b>	<b>7,433,584</b>	<b>8,700,069</b>	<b>7,707,691</b>	<b>5,646,842</b>

The accompanying notes form an integral part of these financial statements



ROYAL MILITARY COLLEGES OF CANADA FOUNDATION INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 Operating Fund \$	2018 Research \$	2018 Restricted Fund \$	2018 Endowment Fund \$	2018 Total \$	2017 Total \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Sources of cash						
Donations	136,935		456,571	1,726,532	2,183,103	1,540,802
Research services contract					136,935	157,106
Grant monies received		2,093,652			2,093,652	2,196,013
Government remittances receivable	(4,453)				(4,453)	(2,538)
Other receivables	929				929	(930)
Special projects	174,374				174,374	69,974
Due from Royal Military Colleges Club of Canada	3,250				3,250	3,250
Uses of cash						
Personnel	(320,748)				(320,748)	(327,554)
Administrative	(83,787)				(83,787)	(74,569)
Research services contract	(49,835)				(49,835)	(45,267)
Grant monies disbursed		(1,905,447)			(1,905,447)	(2,328,603)
Benefactions			(388,039)		(388,039)	(337,437)
Endowment distributions	(11,975)		(325,113)		(325,113)	(250,482)
Gifts to other qualified donees	(26,099)		(20,567)		(32,542)	(25,158)
Special projects					(26,099)	(27,192)
<b>CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES</b>	<b>(181,409)</b>	<b>188,205</b>	<b>(277,148)</b>	<b>1,726,532</b>	<b>1,456,180</b>	<b>547,415</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
(Increase) in investments			1,297,436	(2,168,877)	(871,441)	(1,830,159)
Investment income	22,276		(518,941)		(496,665)	1,305,787
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>22,276</b>		<b>778,495</b>	<b>(2,168,877)</b>	<b>(1,368,106)</b>	<b>(524,372)</b>
<b>INCREASE (DECREASE) IN CASH AND EQUIVALENTS FOR YEAR</b>	<b>(159,133)</b>	<b>188,205</b>	<b>501,347</b>	<b>(442,345)</b>	<b>88,074</b>	<b>23,043</b>
<b>CASH AND EQUIVALENTS - BEGINNING OF YEAR</b>	<b>495,996</b>	<b>1,449,361</b>	<b>NIL</b>	<b>169,058</b>	<b>2,114,415</b>	<b>2,091,372</b>
Interfund cash adjustments	167,035	(5)	(501,347)	334,317		
<b>CASH AND EQUIVALENTS - END OF YEAR</b>	<b>503,898</b>	<b>1,637,561</b>	<b>NIL</b>	<b>61,030</b>	<b>2,202,489</b>	<b>2,114,415</b>
<b>REPRESENTED BY:</b>						
Cash and short term investments	503,898	1,637,561	NIL	61,030	2,202,489	2,114,415

The accompanying notes form an integral part of these financial statements

**ROYAL MILITARY COLLEGES OF CANADA FOUNDATION INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**1. PURPOSE OF THE ORGANIZATION**

The Royal Military Colleges of Canada Foundation Inc. 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 purpose of the Foundation is to support the Royal Military Colleges of Canada and its cadets.

The Foundation 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 Foundation must meet certain requirements within the *Income Tax Act*.

**2. ACCOUNTING POLICIES**

Outlined below are those accounting policies adopted by the Foundation 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 Foundation follows the restricted fund method for accounting for contributions. The Foundation 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 Foundation on a permanent basis.

**(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 Foundation policy for benefactions.



**ROYAL MILITARY COLLEGES OF CANADA FOUNDATION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**2. ACCOUNTING POLICIES (Cont'd)**

**(c) Fund Accounting (Cont'd)**

**(iii) Operating Fund**

The operating fund reports resources available for the Foundation'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 funds. 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 are recognized as revenue in the operating fund when received. Contributions are recognized as revenue when received.

Income is recorded 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 operating fund reports income earned on the assets held in the operating fund, donations specially earmarked for facilitating the Foundation'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, or deferred or reported directly in net assets, depending on the nature of any external restrictions imposed on the investment income.

**(e) Financial Instrument Measurement**

The Foundation 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.

**ROYAL MILITARY COLLEGES OF CANADA FOUNDATION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**2. ACCOUNTING POLICIES (Cont'd)**

**(f) Contributed Goods and Services**

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

**(g) 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.

**(h) Cash and Equivalents**

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

**3. LONG-TERM INVESTMENTS**

The investments held at December 31, 2018 consist of bonds and stock equities. Investments have been recorded at the fair market value provided by Canso Investment Counsel Ltd. as at December 31, 2018 and December 30, 2017.

	2018	2017
	\$	\$
Canadian fixed income	4,824,279	4,583,308
Foreign fixed income	2,379,688	2,220,418
Canadian equity	4,204,280	3,597,895
Foreign equity	3,393,676	3,528,861
	<hr/> 14,801,923	<hr/> 13,930,482

The fixed income securities have varying maturity dates and interest rates ranging from 1.68% to 11.80% (2017 1.33% to 11.80%) if held until maturity.

**ROYAL MILITARY COLLEGES OF CANADA FOUNDATION INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**4. MONIES HELD IN TRUST**

In 2005, the organization 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 2015 this Memorandum of Understanding was extended for a further five years.

In 2018, the organization 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 resulted in net contributions to the operating fund of \$92,822 (2017 - \$109,571).



**ROYAL MILITARY COLLEGES OF CANADA FOUNDATION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**5. EXTERNALLY RESTRICTED - ENDOWMENT FUNDS**

	Opening Balance \$	Donations \$	Inter-Fund Transfer \$	Endowed Capital Expended \$	Ending Balance \$
<b>(a) Major Giving Endowed Funds</b>					
Battlefield Tour		1,650,000			1,650,000
Chaudry Operations Research Prize	40,000				40,000
Captain Bart Leadership Award	41,594				41,594
Captain Bart Teamwork Prize	148,841				148,841
Dacey Memorial Fund/ Chemical and Mechanical Engineering Fund	19,589				19,589
Danny McLeod Athletics	369,685	610			370,295
Howard B. Ripstein Third Year Endowment Fund	125,000				125,000
Howard B. Ripstein First Year Fund	60,000				60,000
Howard B. Ripstein Reserve Entry Fund	60,000				60,000
J.W. Brown Memorial Fund	11,086				11,086
James Carruthers Endowment Fund	415,122		210,437		625,559
Keyser Red & White	25,000				25,000
Mech Eng P.G. Scholarship Fund	197,174	13,000			210,174
Netherlands Liberation	156,765	9,400			166,165
No. 1 Fund - Wurtele	143,759				143,759
P Cadieux Memorial Award Fund	40,000				40,000
Phil Cowie Endowment	25,000				25,000
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	23,300	150			23,450
Seath Endowment Fund	102,688				102,688
Toronto Branch			25,655		25,655
TDV			98,010		98,010
UTPNM Fund (Otter Sqn)	18,815	84			18,899
W.A. Ferguson	10,000				10,000
Wall of Honour	216,195	800			216,995
Young Memorial Fund	100,000				100,000
	2,516,008	1,674,044	334,102	NIL	4,524,154
<b>(b) Endowed Class Funds</b>					
Class of 56	118,855	1,500			120,355
Class of 57	43,935	225			44,160
Class of 59	85,908	900			86,808
Class of 60	133,872	3,040			136,912
Class of 62	206,656				206,656
Class of 62 - Recreation Club		10,200	207,412		217,612
Class of 64	343,586	2,481			346,067
Class of 65 - Teaching Excellence	679,522	4,925	(210,437)		474,010
Class of 66	1,053,277		(36,760)		1,016,517
Class of 68	129,355	3,500			132,855
Class of 69 - Bade Bursary	99,595	1,446			101,041
Class of 70	114,959	750			115,709
Class of 72	56,735				56,735
Class of 76	64,579	23,521			88,100
Class of 80			40,000		40,000
	3,130,834	52,488	215	NIL	3,183,537
<b>Total Endowed Funds</b>	<b>5,646,842</b>	<b>1,726,532</b>	<b>334,317</b>	<b>NIL</b>	<b>7,707,691</b>

**ROYAL MILITARY COLLEGES OF CANADA FOUNDATION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**6. INTERFUND TRANSFERS**

During 2018 the Royal Military Colleges of Canada Foundation Inc. transferred \$334,102 from the restricted fund to the major giving endowed funds and a net total \$215 from the restricted fund to the endowed class funds. All transfers were approved by the Board of Directors of the Foundation or were in accordance with the Donor Agreements.

**7. FINANCIAL INSTRUMENTS**

The Foundation'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 3 to these financial statements.

**(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 Foundation 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 Foundation's foreign exchange risk is related to its investment portfolio of which approximately 22.9% is denominated in the United States dollar, and 0.3% in British pounds.

**(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 Foundation 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 Foundation is exposed to this risk through its equity holdings within its investment portfolio.

**ROYAL MILITARY COLLEGES OF CANADA FOUNDATION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**7. FINANCIAL INSTRUMENTS (Cont'd)**

**(b) Credit Risk:**

Credit risk is the risk of financial loss to the Foundation if a party to the Foundation's financial instruments fails to discharge an obligation or make payments of interest and principal when due. The Foundation 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 Foundation will not be able to meet all cash outflow obligations as they come due. The Foundation 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.

**8. CAPITAL DISCLOSURE**

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

**9. RELATED PARTY TRANSACTIONS**

During the year, the Foundation shared selected services with the Royal Military Colleges Club of Canada (the Club), a related party to the Royal Military Colleges of Canada Foundation Inc. The result is a net annual transfer from the Foundation to the Club in the amount of \$10,617 (2017 - \$3,264).

In a previous year, the Foundation made an arrangement with the Royal Military Colleges Club of Canada to repay the amount owing to the Foundation. The amount owing is not subject to interest and the repayment is expected to occur over a ten-year period with annual payments of approximately \$3,250 commencing in 2014. The current portion of the amount due to the Foundation is \$3,250 with the balance being presented as a long-term asset.