
Royal Canadian Naval Benevolent Fund

Financial Statements

March 31, 2023

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VAIVE AND ASSOCIATES

Professional Corporation

Independent Auditor's Report

**To the directors of
Royal Canadian Naval Benevolent Fund**

Opinion

We have audited the financial statements of Royal Canadian Naval Benevolent Fund, which comprise the statement of financial position as at March 31, 2023, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with ASPE.

Basis for Opinion

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 organization 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 opinion.

Other Matter

The financial statements of the organization for the year ended March 31, 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on August 10, 2022.

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 ASPE, 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 the financial statements, management is responsible for assessing the organization'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 organization or to cease operations, or has no realistic alternative but to do so.

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

Independent Auditor's Report (continued)

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 organization'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 organization'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 organization 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.

Vaive and Associates

Ottawa
July 25, 2023

Vaive and Associates Professional Corporation
(Authorized to practice public accounting by the Chartered
Professional Accountants of Ontario)

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Royal Canadian Naval Benevolent Fund

Statement of Operations

For the year ended March 31,

	<u>2023</u>	<u>2022</u>
Revenue		
Donations	\$ 41,379	\$ 59,994
Federal government grants	-	76,489
Investment income	304,160	423,387
Unrealized gain/(loss) on sale of investments	<u>(487,808)</u>	<u>392,344</u>
	<u>(142,269)</u>	<u>952,214</u>
Expenses		
Advertising and promotion	1,464	639
Amortization	1,093	1,336
Grants and bursaries (note 3)	151,000	333,864
Insurance	2,933	3,089
Interest and bank charges	2,817	3,148
Investment management fees	16,418	18,362
Office and administration	19,045	9,287
Professional fees	31,676	24,609
Rent	4,768	8,731
Salaries and related benefits	165,426	119,778
Subcontract	110,526	36,864
Telephone and utilities	<u>1,002</u>	<u>3,644</u>
	<u>508,168</u>	<u>563,351</u>
Excess of revenue over expenses (expenses over revenue) before other item	(650,437)	388,863
Other expense		
Loss on foreign exchange	<u>3,029</u>	<u>-</u>
Excess of revenue over expenses (expenses over revenue)	\$ (653,466)	\$ 388,863

Royal Canadian Naval Benevolent Fund

Statement of Changes in Net Assets

	Balance, beginning of year	Endowment fund income	Excess of expenses over revenue	2023 Balance, end of year
Unrestricted	\$ 4,632,262	\$ -	\$ (653,466)	\$ 3,978,796
Marcelle Fontaine Hurst and the Douglas Charles Hurst Educational Fund	100,000	788	-	100,788
	<u>\$ 4,732,262</u>	<u>\$ 788</u>	<u>\$ (653,466)</u>	<u>\$ 4,079,584</u>


	Balance, beginning of year	Contributions	Excess of revenue over expenses	2022 Balance, end of year
Unrestricted	\$ 4,243,399	\$ -	\$ 388,863	\$ 4,632,262
Marcelle Fontaine Hurst and the Douglas Charles Hurst Educational Fund	-	100,000	-	100,000
	<u>\$ 4,343,399</u>	<u>\$ 100,000</u>	<u>\$ 388,863</u>	<u>\$ 4,732,262</u>

Royal Canadian Naval Benevolent Fund


Statement of Financial Position

March 31,	2023	2022
Assets		
Current		
Cash	\$ 128,131	\$ 317,368
Short-term investments (note 3)	670,139	376,814
Accounts receivable (note 5)	8,834	11,226
Prepaid expenses	1,431	-
Total Current	808,535	705,408
Investments (note 4)	3,309,433	4,044,399
Property, plant and equipment (note 6)	2,429	3,523
	<u>\$ 4,120,397</u>	<u>\$ 4,753,330</u>
Liability		
Current		
Accounts payable and accrued liabilities	\$ 40,813	\$ 21,068
Fund balances		
Unrestricted	3,978,796	4,632,262
Marcelle Fontaine Hurst and the Douglas Charles Hurst Educational Fund (note 7)	100,788	100,000
	<u>4,079,584</u>	<u>4,732,262</u>
	<u>\$ 4,120,397</u>	<u>\$ 4,753,330</u>

Approved by the board:



Director



Director

Royal Canadian Naval Benevolent Fund

Statement of Cash Flows

For the year ended March 31,

	<u>2023</u>	<u>2022</u>
Operating activities		
Excess of revenue over expenses (expenses over revenue)	\$ (653,466)	\$ 388,863
Items not affecting cash		
Amortization of property, plant and equipment	1,093	1,336
Forgiveness of non-interest bearing loans receivable	-	271,930
Unrealized (gain) loss on sale of investments	487,808	(392,344)
	<u>(164,565)</u>	269,785
Change in non-cash working capital items		
Accounts receivable	2,392	15,119
Prepaid expenses	(1,431)	-
Accounts payable and accrued liabilities	19,745	(20,534)
Deferred government assistance	-	(76,489)
	<u>(143,859)</u>	187,881
Financing activities		
Endowment fund contributions	-	100,000
Endowment fund income	788	-
	<u>788</u>	100,000
Investing activities		
Repayment of non-interest bearing loans	-	46,955
Purchase of property, plant and equipment	-	(4,859)
Sale (purchase) of investments (net)	(46,166)	(151,203)
	<u>(46,166)</u>	(109,107)
Increase (decrease) in cash	(189,237)	178,774
Cash, beginning of year	317,368	138,594
Cash, end of year	\$ 128,131	\$ 317,368
Cash consists of:		
Cash	\$ 127,589	\$ 317,368
Endowment cash	542	-
	<u>\$ 128,131</u>	<u>\$ 317,368</u>

Royal Canadian Naval Benevolent Fund

Notes to the Financial Statements

For the year ended March 31, 2023

1. Nature of operations

Royal Canadian Naval Benevolent Fund commenced operations in 1942 and the corporation was continued under the most recent Canada Not-For-Profit Act in 2014 . Its objectives are to promote the wellbeing of the naval community by providing financial support to serving members, naval veterans, and their respective families. These objectives are achieved by means of assistance in the form of grants to individuals experiencing financial distress, funding for projects/partnerships that serve the client base, educational bursaries, and an award program. The RCNBF derives most of its revenues from investments.

The Fund is a charitable organization registered with Canada Revenue Agency and is exempt from income taxes.

2. Significant accounting policies

The Fund applies the Canadian accounting standards for not for profit organizations.

(a) Basis of presentation

(b) Revenue recognition

The Fund follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable when the amount to be received can be reasonably estimated and collection is reasonably assured.

Donations are recognized when received, or when there is reasonable assurance that the donations will become receivable.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

(c) Property, plant and equipment

Property, plant and equipment are recorded at cost. The Fund provides for amortization using the straight-line method at rates designed to amortize the cost of the property, plant and equipment over their estimated useful lives. The annual amortization rate is as follows:

Computer equipment	3 years
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The estimated useful lives of assets are reviewed by management and adjusted if necessary.

Royal Canadian Naval Benevolent Fund

Notes to the Financial Statements

For the year ended March 31, 2023

2. Significant accounting policies (continued)

(d) Use of estimates

The preparation of the financial statements 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 revenue and expenses during the year. Actual results could differ from those estimates.

(e) Foreign exchange

Foreign currency income and expense accounts are translated into Canadian dollars using the temporal method as follows:

- ◆ monetary assets and liabilities at rates of exchange in effect at the end of the year
\$1 U.S. - \$1.3533 Canadian
- ◆ non-monetary assets and liabilities at historical rates of exchange
- ◆ revenues and expenses at rates of exchange in effect at the transaction date
- ◆ exchange gains and losses arising from foreign currency translation are included in the determination of income.

(f) Financial instruments

(i) Measurement of financial instruments

The Fund initially measures its financial assets and liabilities at fair value.

The Fund subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenue over expenses (expenses over revenue) in the period incurred.

Financial assets measured at amortized cost on a straight line basis include cash, and accounts receivable.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable.

Financial assets measured at fair value include investments.

Royal Canadian Naval Benevolent Fund

Notes to the Financial Statements

For the year ended March 31, 2023

2. Significant accounting policies (continued)

(f) Financial instruments (continued)

(ii) Impairment

For financial assets measured at cost or amortized cost, the Fund determines whether there are indications of possible impairment. When there is an indication of impairment, and the Fund determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess of revenue over expenses (expenses over revenue). A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenue over expenses (expenses over revenue).

(iii) Transaction costs

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in net income in the period incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in net income over the life of the instrument using the straight-line method.

3. Grants and bursaries

Capital projects	\$ 75,000
Community support programs	60,000
Awards	5,000
Bursaries	6,000
Individuals	5,000
	<hr/>
Total	\$ 151,000

Royal Canadian Naval Benevolent Fund

Notes to the Financial Statements

For the year ended March 31, 2023

4. Investments

Guaranteed investment certificates include investments with interest rates ranging from 3.45% to 4.715%, having maturity dates ranging from 2023 to 2024.

Investments in fixed income funds mature between 2024 and 2030 and have interest rates of 2.65% and 4.671%.

	2023	2022
Guaranteed investment certificates	\$ 437,539	\$ 316,319
High interest savings accounts	232,600	60,495
Total short-term investments	<u>\$ 670,139</u>	<u>\$ 376,814</u>
	2023	2022
Long-term bonds	\$ 670,827	\$ 921,232
Public company shares and investment trusts	2,638,606	3,123,167
Total long-term investments	<u>\$ 3,309,433</u>	<u>\$ 4,044,399</u>

5. Accounts receivable

	2023	2022
Public Service Bodies' rebate receivable	<u>\$ 8,834</u>	<u>\$ 11,226</u>

6. Property, plant and equipment

	2023		
	Cost	Accumulated amortization	Net book value
Computer equipment	<u>\$ 4,859</u>	<u>\$ 2,430</u>	<u>\$ 2,429</u>
			2022
	Cost	Accumulated amortization	Net book value
Equipment	\$ 6,965	\$ 6,965	-
Computer equipment	10,340	6,817	3,523
	<u>\$ 17,305</u>	<u>\$ 13,782</u>	<u>\$ 3,523</u>

Royal Canadian Naval Benevolent Fund

Notes to the Financial Statements

For the year ended March 31, 2023

7. Marcelle Fontaine Hurst and the Douglas Charles Hurst Educational Fund

During the year ended March 31, 2022 year a \$100,000 bequest was received in memory of Mr. Douglas Hurst. Only income earned by the capital of the Fund may be distributed for educational purposes.

8. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Liquidity risk

Liquidity risk is the risk that the Fund will be unable to fulfil its obligations on a timely basis or at a reasonable cost. The Fund manages its liquidity risk by monitoring its operating requirements. The Fund prepares budget and cash forecasts to ensure it has sufficient funds to fulfil its obligations. In the opinion of management the liquidity risk exposure to the Fund is low and is not material.

(b) Credit risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. Credit exposure of fixed income investments is minimized by holding no Canadian bond issues below BB+ grade and holding TSX 300 listed corporations' P1 or P2 grade preferred shares.

(c) Market risk

The Fund's investment income is largely derived from publicly traded shares and trusts which are subject to fluctuations in the capital markets. The Fund manages this risk through regular review and rebalancing of its portfolio.

(d) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Approximately 21% of the entity's investments are in foreign currency. Consequently, some assets are exposed to foreign exchange fluctuations. As at March 31, 2023, investments of \$851,905 are denominated in US dollars and converted into Canadian dollars.

(e) Interest rate risk

The Fund is exposed to interest rate risk on its fixed interest rate financial instruments. Further details about the fixed rate investments are included in note 3.