

Financial statements of

ROYAL CANADIAN INSTITUTE

February 28, 2017

Tinkham & Associates LLP

CHARTERED ACCOUNTANTS

D C Tinkham, FCPA, FCA, LPA, CMC
Associates

P J Brocklesby, CPA, CA, LPA

M Tkachenko, CPA, CA

MWG Rooke, CPA, CA, LPA

A C Callas, CPA, CA

S J Gomes, CPA, CA

C R Braun, CPA, CA

2842 Bloor Street West, Suite 300
Toronto, Ontario, Canada M8X 1B1

Telephone (416) 233-2139

1(877) 283-3305

Facsimile (416) 233-1788

associates@tinkhamca.com

INDEPENDENT AUDITOR'S REPORT

To the Members of
ROYAL CANADIAN INSTITUTE

We have audited the accompanying financial statements of Royal Canadian Institute, which comprise the balance sheet as at February 28, 2017, and the statements of revenue and expenses and 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

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 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.

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 Institute derives revenue from donations, fundraising and memberships, 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 Institute and we were not able to determine whether any adjustments might be necessary to donation, fundraising and membership revenues, excess of revenue over expenses for the year, assets or unrestricted net assets.

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 the Institute as at February 28, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

TORONTO, Ontario
May 8, 2017

Tinkham & Associates LLP
CHARTERED ACCOUNTANTS

Licensed Public Accountants

ROYAL CANADIAN INSTITUTE

Balance Sheet

As at	February 28 2017	February 29 2016
Assets		
Current		
Cash	\$ 21,988	\$ 6,804
Accounts receivable	9,834	11,949
Prepaid expenses	9,279	9,392
	41,101	28,145
Investments (note 3)	1,547,757	1,452,802
Portraits	3,200	3,200
	\$ 1,592,058	\$ 1,484,147
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 20,758	\$ 23,381
Deferred revenue (note 4)	30,000	25,000
	50,758	48,381
Net Assets (note 5)		
Unrestricted	1,531,300	1,435,766
Internally restricted	10,000	-
	1,541,300	1,435,766
	\$ 1,592,058	\$ 1,484,147

See accompanying notes to financial statements.

On behalf of the Council

_____ Councillor

_____ Councillor

ROYAL CANADIAN INSTITUTE

Statement of Revenue and Expenses and Changes in Net Assets

Year ended	February 28 2017	February 29 2016
Revenue		
Membership fees	\$ 7,754	\$ 7,790
Donations	27,755	7,111
RBC Foundation grant (note 4)	-	18,900
Gala dinner	77,800	109,375
Investment income	44,831	85,348
OPG rent subvention	-	1,130
Miscellaneous revenue	-	16,067
	158,140	245,721
Expenses		
Annual general meeting and council	6,549	6,357
Gala dinner	46,354	48,331
Insurance expense - general	3,317	3,127
Insurance expense - liability	4,387	4,280
Investment management fees	11,030	10,238
Lecture series	21,214	40,445
Office supplies and expenses	7,961	9,191
Professional	7,790	6,225
Science Scholarship	6,000	11,000
Space rental	2,047	4,396
Staffing costs	102,839	111,238
Telephone	900	1,012
Webcasting	7,618	11,831
	228,006	267,671
(Deficiency) of revenue over expenses before other item	(69,866)	(21,950)
Other item		
Unrealized gain (loss) on investments	175,400	(162,340)
Excess (deficiency) of revenue over expenses for the year	105,534	(184,290)
Net assets, beginning of year	1,435,766	1,620,056
Net assets, end of year	\$ 1,541,300	\$ 1,435,766

See accompanying notes to financial statements.

ROYAL CANADIAN INSTITUTE

Statement of Cash Flows

Year ended	February 28 2017	February 29 2016
Cash provided (used) by operating activities		
Excess(deficiency) of revenue over expenses for the year	\$ 105,534	\$ (184,290)
Charges not requiring a current cash payment		
Gain on sale of investments (net)	6,203	-
Unrealized loss (gain) on investments	(175,400)	162,340
	(63,663)	(21,950)
Changes in non-cash working capital components		
Accounts receivable	2,115	4,399
Prepaid expenses	113	380
Accounts payable and accrued liabilities	(2,623)	2,662
Deferred revenue	5,000	(14,400)
	4,605	(6,959)
Cash (used) by operating activities	(59,058)	(28,909)
Cash provided (used) by investing activities		
Purchase of long-term investments	(44,755)	(3,431,990)
Proceeds on disposal of long-term investments	118,997	3,339,581
Cash provided (used) by investing activities	74,242	(92,409)
Increase (decrease) in cash during the year	15,184	(121,318)
Cash, beginning of year	6,804	128,122
Cash, end of year	\$ 21,988	\$ 6,804

See accompanying notes to financial statements.

ROYAL CANADIAN INSTITUTE

Notes to the Financial Statements

February 28, 2017

1 Organization

The Royal Canadian Institute is a non-profit organization incorporated November 4, 1851 and by supplementary letters patent issued in Ontario on March 3, 1987 without share capital for the advancement of science. The Institute is a registered charity for income tax purposes and while registered, is not subject to income taxes and may issue charitable donation receipts.

2 Significant accounting policies

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

(a) Cash

Cash includes deposits in financial institutions.

(b) Investments

The Institute has elected to value all investments at fair value, which is based on quoted market values.

(c) Revenue recognition

The Institute follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Investment income is recognized on an accrual basis. The unrealized gain or loss on investments, being the difference between book value and fair value, is recognized in income for the year.

(d) Contributed services

Volunteers and guest speakers contribute many hours of assistance to the Institute. The value of contributed services is not recognized in these financial statements.

(e) Use of estimates

The preparation of the financial statements in accordance 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, the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expense during the reporting period. Actual results could differ from such estimates. All estimates are reviewed periodically and adjustments are made to the statement of revenue and expenses as appropriate in the year they become known.

(f) Financial instruments

(i) Measurement

The Institute initially measures its financial assets and financial liabilities at fair value. The Institute subsequently measures all its financial assets and financial liabilities at amortized cost except for its investments which are measured at fair value. Changes in fair value are recognized in the excess of revenue over expenses for the year.

Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

ROYAL CANADIAN INSTITUTE

Notes to the Financial Statements

February 28, 2017

2 Significant accounting policies continued

(f) Financial instruments continued

(ii) Impairment

At the end of each reporting period, the Institute assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. When there is an indication of impairment, the Institute determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset and it reduces the carrying amount of the asset to the highest of the following: i) the present value of the cash flows expected to be generated by holding the asset discounted using a current market rate of interest appropriate to the asset; ii) the amount that could be realized by selling the asset at the statement of financial position date; and iii) the amount the Institute expects to realize by exercising its rights to any collateral held to secure repayment of the asset net of all costs necessary to exercise those rights. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the reduction is recognized as a bad debt in the statement of revenue and expenses. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement, directly or by adjusting the allowance account. The amount of the reversal is recognized in the statements of revenue and expenses in the period the reversal occurs.

(iii) Transaction costs

Transaction costs are recognized in the statements of revenue and expenses in the period incurred, except for financial instruments that will be subsequently measured at amortized cost.

3 Investments

	2017	2016
CGOV Dividend Fund Series F, 52,445.961 units (2016 - 54,458.369 units)	\$ 1,122,868	\$ 992,068
CGOV Fixed Income Fund Series G, 37,072.676 units (2016 - 40,210.744 units)	423,889	460,734
Canadian Treasury Bill, \$1,000 face value, maturing March 23, 2017	1,000	-
	\$ 1,547,757	\$ 1,452,802

The investments are recorded at market value.

4 Deferred revenue

Deferred revenue as at the end of the year is comprised of \$30,000 received in advance for the Gala Fundraiser held annually in April (2016 - \$25,000). This revenue will be recognized when the Gala is held.

ROYAL CANADIAN INSTITUTE

Notes to the Financial Statements

February 28, 2017

5 Net Assets

	Internally Restricted	Unrestricted	2017	2016
Balance, beginning of year	\$ -	\$ 1,435,766	\$ 1,435,766	\$ 1,620,056
Excess (deficiency) of revenue over expenses for the year	-	105,534	105,534	(184,290)
Transfers	10,000	(10,000)	-	-
Balance, end of year	\$ 10,000	\$ 1,531,300	\$ 1,541,300	\$ 1,435,766

During the year, Council approved the establishment of an internally restricted fund for the purpose of funding an annual Fleming Lecture. A donation in the amount of \$10,000 received in the fiscal year has been transferred to this fund.

6 Financial instruments

The Institute is exposed to various risks through its financial instruments.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Institute is exposed to credit risk through its cash, accounts receivable and investments.

Credit risk related to cash is minimal as funds are held by credit-worthy parties. Accounts receivable is primarily comprised of an annual HST rebate receivable from the federal and provincial governments and therefore considered very low risk. The investment policy requires diversification of investments within categories, and sets limits on exposure to individual investments.

Liquidity risk

Liquidity risk is the risk that the Institute will not be able to meet a demand for cash or fund its obligations as they come due. The Institute meets its liquidity requirements by ensuring adequate cash is maintained and investments are available to be converted to cash if and when required.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

Currency risk

Currency risk reflects the risk that the Institute's earnings will decline due to the fluctuations in foreign exchange rates. The Institute has no cash or investments denominated in foreign currencies.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Institute is not significantly affected by fluctuations in market rates of interest.

ROYAL CANADIAN INSTITUTE

Notes to the Financial Statements

February 28, 2017

6 Financial instruments continued

Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments in the market.

The Institute is exposed to other price risk because of its equity investments.

Changes in risk

There are no significant changes in the Institute's risk exposures from the prior year.