

Financial Analysis

During 2008, the Royal Canadian Golf Association's financial story was based on three significant variances to budget. The RBC Canadian Open suffered a deficit, the RCGA Golf Card did not hit its financial targets, and a large currency gain was realized upon the sale of some US bonds when the Canadian dollar weakened. The RCGA's overall results for the year were on budget - a net deficit of \$2.4M. The Board of Governors of the RCGA agreed to make cuts to certain programs and services in 2008 to minimize the financial exposure of the organization. The RCGA through its strategic planning process is continuing to review all of its programs and services including cost structure as well as exploring options for potential new revenue sources. The goal is to have the organization operating at breakeven by 2010.

It is important to note that the Board has made a decision not to use any of the proceeds from the sale of Glen Abbey to mitigate operational losses. The Board of Governors, at the time of the sale of Glen Abbey, placed restrictions on the use of these funds for the betterment of the game of golf in Canada. The income from this capital is used to annually fund our amateur operations and is intended to replace the contribution that was formerly provided from the operation of Glen Abbey Golf Club prior to its sale. The current year's loss will put the accumulated unrestricted surplus in a slightly negative position.

2008 FINANCIAL RESULTS

The sources of funding that allows the RCGA to run our amateur programs and provide member services are as follows:

Investment Income

- The investment policy developed by the RCGA Investment Committee and approved by the Board of Governors provides guidance for investment decisions. The RCGA portfolio is largely made up of a combination of bond and equity funds providing the Association with consistent and conservative income levels. The investment income from the portfolio continues to be used as a funding source for the operation of the Association's amateur golf programs. Starting in 2007, new accounting reporting standards required the RCGA to recognize unrealized gains and losses in the Statement of Changes in Net Assets. The Committee also sold certain investments earlier in the year, recognizing gains on market value. A decision was also made to sell \$4.0M in US bond holdings that were purchased at close to par, to realize the significant currency exchange gain. Due to the market downturn late in the year, the RCGA portfolio's market value is approximately \$5.4M below cost.

Sport Canada

- Following the 2005 merger with the Canadian Ladies' Golf Association, the RCGA was recognized by Sport Canada as the National Sport Organization for golf, which provides the Association and some of its athletes in the Player Development Program the opportunity to access Sport Canada funding.

Membership Dues

- Membership dues are primarily based on an assessment of \$7.00 to every adult golfer and \$2.50 to every junior golfer (approximately 376,000 total members) at each of the RCGA's 1592 member clubs. Dues collected in 2008 were \$2,461,233 compared to \$2,509,868 in 2007. It is anticipated that the member dues for adult golfers will increase to \$10.00 starting in 2009.

Other

- The Association also generates revenue from sponsorships and participant fees in various RCGA programs; operation of the RCGA Golf Card; and from the operation of our Regional Training Center in Calgary. In 2008, the RCGA Golf Card fell short of target by approximately \$500K.

The RCGA runs two National Open Championships – one on the PGA Tour and one on the LPGA Tour. In 2008, both of these events were budgeted as breakeven operations.

CN Canadian Women's Open

This year's CN Canadian Women's Open was the most financially successful since the RCGA began conducting the event. Although the impact on the RCGA's financial statement is neutral for this event, the publicity and the amount of money raised for the Children's Hospital of Eastern Ontario (CHEO) through the event and the CN Miracle Match program was an overwhelming \$1.0M. The partnership agreement with CN as Title sponsor commits to have a portion of any surplus generated from the event given to a local charity and a portion of the surplus is used for marketing the following year's event. CN has helped the RCGA raise the profile of this championship and it has become one of the premier stops on the LPGA Tour.

RBC Canadian Open

2008 was the first event with RBC as Title sponsor. The budget for the 2008 event was a deficit of \$80K, based on certain transition and conversion costs related to a new Title sponsor. The requirement for the RCGA to pay for US network TV coverage due to the new date on the PGA Tour schedule (approximately \$2.0M US), impacts the ability to generate the surpluses realized from the Canadian Open in past years. In addition to the new Title sponsor, both Pengrowth and Bell Canada held positions as Premier sponsors. The RBC Canadian Open was hit with record rainfall causing some lost walk up ticket revenue and additional operations expenses and in the end, suffered a deficit of approximately \$500K.

As the recognized National Sport Organization for golf, the RCGA has a responsibility to operate and support programs and initiatives that create awareness and increase participation in golf. In 2008, the Association's expenditures to administer amateur golf programs were \$10,056,577 compared to \$10,196,090 in 2007. A portion of these costs are offset by participation fees and/or program sponsorship fees. However, it is worth noting that the amount spent on programs and services amounts to approximately \$4 for every \$1 collected in membership dues.

These expenditures include:

- The conducting of our national amateur championships.
- The maintenance of the golf infrastructure that we all enjoy including Rules of Golf, Amateur Status, course rating and our national handicap system.
- The RCGA supports programs for golfers that include Golf Fore the Cure; the High Performance Player Development program; Golf Canada magazine; and the CN Future Links program (CN Future Links is a national junior golf development program conducted in partnership with the Canadian PGA and Canada's provincial golf associations). Just over \$2.0 million is spent between the CN Future Links and Player Development programs.

- The RCGA provides services for member clubs including turfgrass support; environmental programs; a golfer loyalty rewards program; and handicap & course rating services.
- The RCGA conducts initiatives that support the game including golf industry research; Rules of Golf education; and the Canadian Golf Hall of Fame and Museum.
- The RCGA provides support to the RCGA Foundation by administering the Scholarship program and Canadian University Granting program.

Contributions

In 2008, the RCGA made more than \$1.5 million in contributions (direct or indirect), to various charities and other golf related entities.

- The CN Canadian Women's Open was a huge success. A combination of the event financial results, on site fundraising and contributions made by CN through the CN Miracle Match program allowed \$1,000,000 to be raised for the Children's Hospital of Eastern Ontario in Ottawa, Ontario.
- The RCGA made contributions of \$102,375 to the various provincial golf associations in the form of grants to fund grow the game initiatives.
- The RCGA contributed \$7,610 toward an economic impact study being conducted by the National Allied Golf Associations on behalf of the golf industry in this country.
- The RCGA provided the Canadian Junior Golf Association with \$10,000 in funding to help them with their junior golf initiatives.
- The Canadian Turfgrass Research Foundation was given \$25,000 to help them fund research grants to Canadian universities.
- The RCGA helped direct more than \$680,000 in donations to the Canadian Cancer Society and Quebec Breast Cancer Foundation through the Golf Fore the Cure program.
- The RCGA Foundation awarded \$200,000 in grants to assist golf programs at Canadian universities and awarded golf scholarship awards amounting to \$41,000.

Unusual Costs

In 2008, the RCGA incurred some unplanned expenses due to the reduction of eight full time staff positions. These expenses were offset by an adjustment to an accrual made for legal costs related to an ongoing claim for breach of contract which originated in 2000.

FINANCIAL OUTLOOK FOR 2009 AND BEYOND

During 2008, the RCGA embarked on a process to implement its new strategic plan developed in 2007, which contemplates the organization returning to a breakeven operation in 2010.

The strategic plan has focused our efforts on cost effectiveness and alignment of expenses to our new strategy, along with identifying incremental revenue sources and opportunities. 2008 was expected to be a transitional year financially, whereby the RCGA would incur a deficit to continue operating our current programs and services while they are being evaluated for strategic fit. However, significant decisions have been made for 2009 to ensure these programs and services are delivered in the most cost-efficient manner. These decisions are being guided by the current reality that the RCGA's two National Open Championships will operate in the future without providing the customary surplus funding that has in the past supported the amateur side of our operation.

The RCGA remains committed to its vision of "Shaping Golf's Future" and growing the game of golf in Canada.



Michel St-Laurent
Treasurer



David Lafleur, CMA
Chief Financial Officer

December 2008

Auditor's Report

TO THE MEMBERS OF THE ROYAL CANADIAN GOLF ASSOCIATION:

We have audited the statement of financial position of the Royal Canadian Golf Association as at October 31, 2008 and the statements of revenue and expenses, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at October 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

December 3, 2008
Mississauga, Ontario

Grant Thornton LLP
Chartered Accountants
Licensed Public Accountants

Statement 1: **Statement of Financial Position**
October 31, 2008

ASSETS

	2008	2007
Current Assets		
Cash	\$ 1,664,372	\$ 4,962,726
Accounts Receivable and Prepaid Expenses	5,072,382	3,523,211
Forward Contract Asset (current)	543,345	–
	7,280,099	8,485,937
Investments (Note 5)	27,810,838	32,230,617
Loan Receivable (Note 6)	1,849,909	–
Capital Assets (Note 7)	2,732,270	2,981,372
Forward Contract Asset (long-term)	997,460	–
Asset Held for Sale (Note 6)	–	2,055,454
	\$ 40,670,576	\$ 45,753,380

LIABILITIES

Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 3,229,482	\$ 4,165,036
Forward Contract Liability	–	351,702
Deferred Revenue	1,139,165	221,103
	4,368,647	4,737,841

NET ASSETS

Invested in Capital Assets	2,732,270	2,981,372
Unrestricted	(94,605)	2,267,435
Restricted (Note 13)	37,671,639	37,482,049
Unrealized loss on Financial Instruments	(4,007,375)	(1,715,317)
	36,301,929	41,015,539
	\$ 40,670,576	\$ 45,753,380

Commitments and Contingency (Notes 11 & 12)
On behalf of the Board: Michel St-Laurent, Treasurer; Andrew Cook, FCA, President
(See accompanying notes to financial statements)

Statement 2: **Statement of Changes in Net Assets**
Year ended October 31, 2008

	Invested in Capital Assets	Unrestricted	Restricted (Note 13)	Unrealized Gain/(Loss) on Financial Instruments	2008 Total	2007 Total
Balance Beginning of Year	\$ 2,981,372	\$ 2,267,435	\$ 37,482,049	\$ (1,715,317)	\$ 41,015,539	\$48,833,049
Excess of Expenses over Revenue	–	(2,421,552)	–	–	(2,421,552)	(5,634,815)
Realized gains on investments in current year, reflected in opening transitional adjustment	–	–	–	–	–	(1,216,674)
Current year market value adjustment on investments	–	–	–	(4,418,313)	(4,418,313)	(951,644)
Realized losses on hedging instruments designated as cash flow hedges	–	–	–	–	–	446,011
Current year market value adjustment on hedging instruments	–	–	–	2,126,255	2,126,255	(460,388)
Amortization (Note 13 a)	(515,840)	328,808	187,032	–	–	–
Provincial Fund payments (Note 13 b)	–	102,375	(102,375)	–	–	–
Women's Fund (Note 13 c)	–	(104,933)	104,933	–	–	–
Investment in Capital Assets	266,738	(266,738)	–	–	–	–
Balance End of Year	\$ 2,732,270	\$ (94,605)	\$ 37,671,639	\$ (4,007,375)	\$ 36,301,929	\$41,015,539

(See accompanying notes to financial statements)

Statement 3: **Statement of Revenue and Expenses**
Year ended October 31, 2008

	2008 Revenue	2008 Expenses	2008 Net	2007 Revenue	2007 Expenses	2007 Net
Professional Tournaments	\$ 21,891,491	\$ 22,260,611	\$ (369,120)	\$ 19,046,182	\$ 21,570,781	\$ (2,524,599)
Investment Income (Notes 5 and 13a)	2,471,780	–	2,471,780	3,161,397	–	3,161,397
Golf Training Centre (Note 13a)	1,690,352	1,375,774	314,578	1,638,343	1,298,017	340,326
PROGRAMS AND SERVICES						
Revenue & Direct Expenses						
Membership Dues	2,461,233	–	2,461,233	2,509,868	–	2,509,868
Sport Canada	652,000	–	652,000	646,340	–	646,340
Future Links and Player Development	881,234	2,037,693	(1,156,459)	809,142	1,880,948	(1,071,806)
Amateur Tournaments	382,855	1,091,803	(708,948)	493,817	1,395,896	(902,079)
RCGA Golf Rewards Program	411,399	798,917	(387,518)	158,570	633,566	(474,996)
Member programs & services	572,624	1,670,404	(1,097,780)	535,656	1,922,707	(1,387,051)
Contributions to other golf-related associations (Note 8)	–	201,680	(201,680)	–	225,164	(225,164)
	5,361,345	5,800,497	(439,152)	5,153,393	6,058,281	(904,888)
Indirect Expenses						
Marketing and Public Relations	–	804,205	(804,205)	–	971,558	(971,558)
Administration (Note 9)	–	2,936,035	(2,936,035)	–	2,695,963	(2,695,963)
Amortization	–	515,840	(515,840)	–	470,288	(470,288)
	–	4,256,080	(4,256,080)	–	4,137,809	(4,137,809)
Total Programs and Services	5,361,345	10,056,577	(4,695,232)	5,153,393	10,196,090	(5,042,697)
Unusual Costs (Note 10)		143,558	(143,558)		1,569,242	(1,569,242)
Total Revenues	\$ 31,414,968			\$ 28,999,315		
Total Expenses		\$ 33,836,520			\$ 34,634,130	
Excess of Expenses over Revenue			\$ (2,421,552)			\$ (5,634,815)

(See accompanying notes to financial statements)

Statement 4: **Statement of Cash Flows**
Year ended October 31, 2008

	2008	2007
Increase (Decrease) in Cash:		
Operating activities		
Excess of Expenses over Revenue	\$ (2,421,552)	\$ (5,634,815)
Amortization	515,840	470,288
Write-down of Asset Held for Sale	–	161,050
	(1,905,712)	(5,003,477)
Net change in non-cash working capital components relating to operations	(1,566,663)	979,353
	(3,472,375)	(4,024,124)
Investing activities		
Decrease in Investments (net)	1,466	5,547,780
Purchase of Capital Assets	(266,738)	(501,623)
Proceeds from sale of land (net)	205,545	–
	(59,727)	5,046,157
Unrealized exchange gain(loss) on USD cash designated as a cash flow hedge	233,748	(331,356)
Net (Decrease) Increase during year	(3,298,354)	690,677
Cash, beginning of year	4,962,726	4,272,049
Cash, end of year	\$ 1,664,372	\$ 4,962,726

(See accompanying notes to financial statements)

Notes to Financial Statements

October 31, 2008

1. Nature of operations.

The Royal Canadian Golf Association (the Association) is incorporated without share capital under the laws of Canada and is a Registered Canadian Amateur Athletic Association under the Income Tax Act (Canada).

2. Summary of significant accounting policies.

(a) Use of estimates

In preparing the Association's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

(b) Financial instruments

Financial assets must be classified as held for trading (HFT), held to maturity (HTM), available-for-sale (AFS), or loans and receivables (L&R). Financial liabilities must be classified as HFT or other financial liabilities (OFL). Financial assets and financial liabilities are initially recorded at fair value with subsequent measurement based on classification.

All financial instruments, including derivatives, are measured at fair value except for L&R, HTM and OFL which are measured at amortized cost using the effective interest rate method. Changes in the fair value of HFT instruments are recognized in the Statement of Revenue and Expenses. Changes in unrealized gains and losses on AFS investments are recognized in the Statement of Changes in Net Assets until realized through sale or other than temporary impairment. Investment income comprising interest, dividends and realized gains and losses is recognized as revenue in the Statement of Revenue and Expenses.

Fair values are based on quoted market prices where available from active markets, otherwise fair values are estimated using a variety of valuation techniques and models.

Transaction costs related to instruments classified as HFT are expensed as incurred. Transaction costs related to AFS, HTM, L&R and OFL are capitalized and are then amortized using the effective interest rate method.

The Association enters into foreign currency futures and forward contracts to manage exposure to foreign currency fluctuations. These financial instruments are designated as cash flow hedges. The hedging relationship must be documented and designated at inception, including how effectiveness is assessed. Effectiveness testing is required on an annual basis. The effective portion of changes in fair value of a derivative designated as a cash flow hedge is recognized in the Statement of Changes in Net Assets while any ineffective portion is recognized in the Statement of Revenue and Expenses.

The Association has classified cash as HFT, receivables as L&R, investments as AFS, and payables and accruals as OFL.

(c) Capital assets and amortization

Rates and bases of amortization applied to write-off the cost less estimated salvage value of capital assets over their estimated useful lives are as follows:

Computer Equipment	50%, declining balance
Leasehold Improvements	Straight line over the term of the lease
Furniture/Equipment	25%, declining balance
RCGA Learning Centre	Straight line over remaining 11 years of the lease

(d) Revenue recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Deferred revenue represents sponsorship and ticket revenues relating to professional tournaments which have been received but not earned. Membership dues are recognized as revenue as fees become due. All other revenue is recognized upon completion of the particular tournament or event.

(e) Donated services

The work of the Association is dependant on the services of many volunteers. Since these services are not normally purchased by the Association and because of the difficulty of determining their fair value, donated services are not recognized in these statements.

(f) Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value.

(g) Adoption of new accounting policies

Effective November 1, 2007, the Association adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1506 – "Accounting Changes", which prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors.

3. Future Accounting Changes

Periodically, the CICA issues new Handbook standards that are applicable to the Association in the following year. For November 2008:

- Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital as well as summary quantitative data on the elements included in the management of capital. The section seeks to determine if the entity has complied with capital requirements and if not, the consequences of such non-compliance.
- Sections 3862 and 3863, "Financial Instruments-Disclosure and Presentation", establish standards for the presentation and disclosure of financial instruments and non-financial derivatives as well as the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

The Association has not yet assessed the impact of these new standards on its financial statements. Other new standards have been issued but they are not expected to have a material impact on the organization's financial statements.

4. Financial instruments

Credit risk

The Association is subject to credit risk through trade receivables. Credit risk is minimized by dealing primarily with companies with strong financial positions. The Association maintains provisions for potential credit losses and any such losses to date have been within management's expectations.

Currency risk

The Association is subject to currency risk due to a significant amount of U.S. dollar expenditures during the year. To minimize this risk, the Association enters into U.S. dollar currency forward contracts to manage its exposure to foreign currency fluctuations. The Association also holds a significant portion of funds in U.S. dollars. The foreign currency forward contracts and a portion of the U.S. funds held have been designated as effective cash flow hedges and treatment is as disclosed in Note 2(b). At the balance sheet date cash includes \$1,359,062 U.S. (2007 – \$1,947,825 U.S.).

Fair values

The fair values of cash, accounts receivable, and accounts payable and accrued liabilities approximate their carrying amounts because of their short term to maturity. The fair value of investments and foreign currency contracts is reflected in the Statement of Financial Position. The fair value of the loan receivable approximates the carrying value as the interest rate is similar to the market rate of interest.

5. Investments

	2008		2007	
	Fair Value	Cost	Fair Value	Cost
Cash & cash equivalents	\$ 4,716,715	\$ 4,716,715	\$ –	\$ –
Pooled bond funds	11,476,659	12,323,959	18,555,556	19,035,153
Pooled equity funds	11,617,464	16,207,273	13,675,061	14,227,722
	\$ 27,810,838	\$ 33,247,947	\$ 32,230,617	\$ 33,262,875

Investment income recognized in the Statement of Revenues and Expenses include the following:

Investment Income	\$ 1,786,816	\$ 1,916,805
Foreign Exchange Translation gain/(loss)	247,973	(237,752)
Gain on Sale of Investments	436,991	1,482,344
	\$ 2,471,780	\$ 3,161,397

The investment objectives are to maintain capital, while providing for ongoing operations from the income distributions generated by the portfolio. Under the current investment objectives, it is targeted that the portfolio should maintain a mix of fixed income, which comprises bonds, cash and cash equivalents, and equities with a maximum amount of 50% of the portfolio invested in equities, based on the market value of the portfolio.

6. Loan Receivable

The Association decided not to build a training centre on the lands in Terrebonne, Quebec. On June 30, 2008 an agreement was executed to sell the lands to a third party with the transfer of ownership taking place on September 10, 2008. A down payment of \$205,545 was received and a loan was provided to the third party for the remaining balance of \$1,849,909. The loan bears interest at a rate of 4.4% per annum and is secured by the land and all current and future structures of a permanent nature situated on the land. Interest payments are to be made quarterly with principal being repaid in 2013. On October 31, 2007, the asset was classified as "held for sale" in the Association's Statement of Financial Position.

7. Capital assets

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer Equipment	\$ 1,187,794	\$ 837,625	\$ 1,016,223	\$ 573,256
Leasehold Improvements	473,087	225,828	453,575	195,534
Furniture/Equipment	327,535	202,441	251,880	168,296
RCGA Learning Centre	3,532,808	1,523,060	3,532,808	1,336,028
	\$ 5,521,224	\$ 2,788,954	\$ 5,254,486	\$ 2,273,114
Net Book Value		\$ 2,732,270		\$ 2,981,372

8. Contributions to golf related organizations

During 2008, the Association made contributions to the Canadian Turfgrass Research Foundation, the Provincial Golf Associations (Note 13), the Canadian Junior Golf Association and the National Allied Golf Association.

9. Administration expenses

Administration expenses consists of:

	2008	2007
Building and Computer	\$ 1,024,937	\$ 1,002,191
Salaries, Wages and Travel	861,553	804,991
Legal, Audit, Insurance & Bank Charges	466,887	416,177
Board Meetings & Travel	296,731	295,213
Postage, Courier & Order Centre	70,896	72,991
Strategic Planning Costs	215,031	104,400
	\$ 2,936,035	\$ 2,695,963

10. Unusual costs

Unusual costs include charges that do not typify normal business activities of the organization. For the year ended October 31, 2008, these charges include severance costs and a recovery of the provision related to an ongoing claim (note 12). For the year ended October 31, 2007, these charges also included executive search costs, a provision related to an ongoing claim (note 12) and the write-down recognized on the reclassification of the Terrebonne land and project costs to Asset Held for Sale (note 6).

11. Commitments

- a) An agreement with an unrelated party commits the Association to provide secondary construction financing to this party for the development and construction of a golf course property to be built, which will serve as a venue for future championships in the Montreal market. The loan is in the amount of one-quarter of the estimated cost of the project to a maximum of \$7,000,000. As collateral, the Association will be provided with a mortgage on the property and assets associated with the property, in second priority to the primary lenders. No funds have been advanced under this agreement.
- b) The Association has entered into agreements to lease office space and golf course facilities to various dates to 2019. Minimum annual payments in aggregate and for the next five years, are due as follows:

2009	\$ 773,878
2010	773,878
2011	773,878
2012	773,878
2013	773,878
Subsequently	3,661,115
Total	\$ 7,530,505

- c) The Association has entered into forward contracts to hedge against tournament purses to be paid in U.S. dollars in future years. As at October 31, 2008 the Association had committed to purchase \$9,000,000 U.S. (2007 - \$2,000,000 U.S.) at various dates to July 2011. The Association also holds \$860,000 U.S. in cash to be used towards future tournament purses. An unrealized foreign exchange gain of \$2,126,255 (2007 – loss of \$683,059) has been recognized in the Statement of Changes in Net Assets.

12. Contingency

The Association is defending a claim for breach of contract relating to services formerly rendered by a supplier. The claim proceeded to trial on November 13, 2007. A provision for the estimated settlement costs was accrued in 2007. The provision has now been adjusted to reflect the trial judgment plus anticipated costs, to be determined in 2009. The plaintiff has filed an appeal to the trial judgment.

13. Restricted funds

The Board has designated three Restricted Funds as follows:

	2008	2007
Board Designated Fund	\$ 36,490,252	\$ 36,303,220
Provincial Fund	151,325	253,700
Women's Fund	1,030,062	925,129
	\$ 37,671,639	\$ 37,482,049

(a) Board Designated Fund

In 1999, The Board of Governors of the Association designated \$40,000,000 from the sale of the Glen Abbey Golf Course to be used for the betterment of the game of golf in Canada. These funds are currently invested in cash and investments. The following is a summary of the utilization of the funds to date:

	2008	2007
Board Designated Fund – beginning balance	\$ 40,000,000	\$ 40,000,000
RCGA Learning Centre (Calgary, Alberta)	(2,009,748)	(2,196,780)
Donation to RCGA Foundation University Fund	(1,000,000)	(1,000,000)
Transfer to RCGA Provincial Fund - Note 13(b)	(500,000)	(500,000)
Designated Fund – October 31, 2008	\$ 36,490,252	\$ 36,303,220

The Board has approved that investment income earned from the Designated Funds will be used to fund operations as a replacement for the income that was formerly generated from the operations of Glen Abbey Golf Course.

In addition, with respect to the investment in the RCGA Learning Centre, the Board Designated Fund will fully recoup the original allocation of \$3,532,808 by an annual transfer based on amortization of this amount over the term of the lease from Unrestricted to the Board Designated Fund. During 2008, an amount of \$187,032 has been transferred from Unrestricted to Restricted Net Assets.

(b) Provincial Fund

In honour of the 100th playing of the Canadian Amateur Championship, the RCGA committed an amount of \$500,000 out of the Board Designated Funds toward the Provincial Fund. Money will be distributed annually from this fund to the various Provincial Golf Associations, based on proposals submitted to the RCGA Granting Committee. The following is a summary of the utilization of the funds to date:

Provincial Fund – beginning balance	\$ 500,000
Awarded in previous years	(246,300)
Awarded in 2008	(102,375)
Provincial Fund – October 31, 2008	\$ 151,325

(c) Women's Fund

As part of the merger between the RCGA and the Canadian Ladies Golf Association in 2004, it was agreed that a Women's Fund would be created in the amount of \$1,000,000 to be used at the discretion of the Women's Division to fund women's initiatives and programs that would not otherwise be included in the Association's budget. The following is a summary of the utilization of the funds to date:

Women's Fund – October 31, 2007	\$ 925,129
Excess of Revenues over Expenses in 2008	104,933
Women's Fund – October 31, 2008	\$ 1,030,062

14. RCGA Foundation

The Royal Canadian Golf Association controls the RCGA Foundation. The RCGA Foundation was established to raise and grant funds for the advancement of golf in Canada. The Foundation delivers this mandate through Scholarships and Grants. During 2008, the RCGA Foundation awarded a total of \$241,000 in scholarship and grants (2007 – \$295,000). The Foundation is a Registered Canadian Amateur Athletic Association under the Income Tax Act.

The RCGA Foundation results have not been consolidated in the Association's Financial Statements. Financial Statements of the RCGA Foundation are available upon request. A financial summary of the Foundation as at October 31, 2008 and 2007 and the years then ended are as follows:

RCGA Foundation

Financial Position	2008	2007
Total Assets	\$ 1,646,270	\$ 1,833,155
Total Liabilities	282,517	104,382
Total Net Assets	\$ 1,363,753	\$ 1,728,773
Results of Operations	2008	2007
Total Revenues	\$ 185,809	\$ 159,553
(Loss)/gain on market value of investments	(295,545)	70,247
Total Expenses	255,284	324,996
Excess of Expenses over Revenues	\$ (365,020)	\$ (95,196)
Cash Flows	2008	2007
Cash used in operations	\$ 111,583	\$ (215,161)
Cash from Investing Activities	(94,754)	192,621
Cash used in Financing Activities	(3,425)	(5,500)
Increase in Cash	\$ 13,404	\$ 961