

RECOVERY ACRES (CALGARY) SOCIETY

FINANCIAL STATEMENTS

MARCH 31, 2024

RECOVERY ACRES (CALGARY) SOCIETY
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INDEPENDENT AUDITOR'S REPORT

To the Directors of Recovery Acres (Calgary) Society

Opinion

We have audited the financial statements of Recovery Acres (Calgary) Society (the "Society"), which comprise the statement of financial position as at March 31, 2024, and the statement of operations, statement of changes in net assets and statement of 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 Society as at March 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

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 Society 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.

Information other than the Financial Statements and Auditor's Report thereon

Management is responsible for the other information. The other information is comprised of the information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The Annual Report is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

INDEPENDENT AUDITOR'S REPORT, continued

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 ASNPO, 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

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

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 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 Society's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT, continued

- ♦ 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 Society'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 Society 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.

**CALGARY, ALBERTA
JUNE 26, 2024**

Baker Tilly Catalyst LLP

**CHARTERED PROFESSIONAL
ACCOUNTANTS**

RECOVERY ACRES (CALGARY) SOCIETY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2024

	2024	2023
Assets		
Current		
Cash	\$ -	\$ 1,014
Marketable securities (Note 3)	855,158	840,872
Accounts receivable	10,366	5,510
Inventory	2,500	2,500
Prepaid expenditures	15,098	10,709
	883,122	860,605
Investment (Note 4)	27,621	28,027
Capital assets (Note 5)	1,718,409	1,767,305
	1,746,030	1,795,332
	\$ 2,629,152	\$ 2,655,937
Liabilities and net assets		
Current		
Cheques issued in excess of deposits	\$ 479	\$ -
Line of credit (Note 6)	53,330	100,765
Accounts payable and accrued liabilities	134,270	115,624
CEBA loan payable	-	40,000
Deferred revenue (Note 7)	144,147	1,500
	332,226	257,889
Deferred capital contributions (Note 8)	329,831	399,959
	662,057	657,848
Net assets		
Unrestricted	550,896	602,716
Endowment fund (Note 4)	27,621	28,027
Investment in capital assets	1,388,578	1,367,346
	1,967,095	1,998,089
	\$ 2,629,152	\$ 2,655,937

Economic dependence (Note 11)

Approved on behalf of the board
Kevin Webb Director

Stian Rorstad Director

RECOVERY ACRES (CALGARY) SOCIETY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2024

	2024	2023
Revenue		
Men's program	\$ 1,622,678	\$ 1,624,195
Other contributions	128,550	63,201
Amortization of deferred capital contributions (Note 8)	70,128	46,523
Fundraising (Note 10)	48,605	47,871
	1,869,961	1,781,790
Expenditures		
Salaries and related benefits	1,114,648	1,291,933
Supplies	218,037	259,731
Office	127,192	101,243
Utilities	97,069	78,940
Amortization	91,621	72,386
Program development	87,921	-
Professional fees	49,225	45,066
Consulting fees	32,750	-
Repairs and maintenance	30,637	62,761
Cleaning supplies	29,346	31,695
Insurance	26,506	24,294
Computer expense	23,115	12,364
Fundraising (Note 10)	18,403	24,807
Advertising and promotion	11,598	13,662
Travel and accommodation	10,803	3,356
Interest and bank charges	9,010	9,911
Subscriptions, permits and licenses	7,118	16,828
Books and educational materials	6,626	33,164
Telephone and utilities	4,131	4,084
	1,995,756	2,086,225
Deficiency of revenues over expenditures before other income	(125,795)	(304,435)
Other income (expenditures)		
Investment income (Note 3)	85,341	(24,120)
Grants from endowment	9,460	1,305
	94,801	(22,815)
Deficiency of revenues over expenditures for the year	\$ (30,994)	\$ (327,250)

The accompanying notes are an integral part of the financial statements

RECOVERY ACRES (CALGARY) SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2024

	Unrestricted fund (Note 3)		Investment in Endowment capital assets	2024	2023
Balance, beginning of year	\$ 602,716	\$ 28,027	\$ 1,367,346	\$ 1,998,089	\$ 2,325,294
Deficiency of revenues over expenditures	(10,401)	900	(21,493)	(30,994)	(327,250)
Grants issued	-	-	-	-	45
Interfund transfers (Note 9)	(41,419)	(1,306)	42,725	-	-
Balance, ending of year	<u>\$ 550,896</u>	<u>\$ 27,621</u>	<u>\$ 1,388,578</u>	<u>\$ 1,967,095</u>	<u>\$ 1,998,089</u>

The accompanying notes are an integral part of the financial statements

RECOVERY ACRES (CALGARY) SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2024

	2024	2023
Cash flows from operating activities		
Net Income	\$ (30,994)	\$ (327,250)
Adjustments for		
Amortization	91,621	72,386
Investment income	(84,935)	24,120
Amortization of deferred capital contributions	(70,128)	(46,523)
	(94,436)	(277,267)
Change in non-cash working capital items		
Accounts receivable	(4,856)	(2,590)
Prepaid expenditures	(4,389)	8,962
Accounts payable and accrued liabilities	18,646	4,855
Deferred revenue	142,647	(4,200)
	57,612	(270,240)
Cash flows from investing activities		
Proceeds on disposal of marketable securities	71,055	150,000
Purchase of capital assets	(42,725)	(61,418)
	28,330	88,582
Cash flows from financing activities		
Repayment of CEBA loan payable	(40,000)	-
Repayment (advance) of line of credit	(47,435)	1,735
	(87,435)	1,735
Decrease in cash	(1,493)	(179,923)
Cash, beginning of year	1,014	180,937
Cash (cheques issued in excess of deposits), end of year	\$ (479)	\$ 1,014

The accompanying notes are an integral part of the financial statements

RECOVERY ACRES (CALGARY) SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

1. Nature of operations

Recovery Acres (Calgary) Society (the "Society") is an organization whose main purpose is to provide effective addiction and mental health treatment programs to adults with alcohol and/or drug dependencies in an environment that is empathetic, humane, and tolerant. The Society provides treatment and practical tools that can save lives through the recovery houses for men and women. The Society is a not-for-profit organization under the Societies Act of Alberta and is a registered charity under the Income Tax Act.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Cheques in excess of deposit

Cheques in excess of deposits is defined as cash on hand and cash on deposit, net of cheques issued and outstanding at the report date.

(b) Financial instruments

(i) Measurement of financial instruments

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

The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in marketable securities that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations in the period incurred.

Financial assets measured at amortized cost include accounts receivable and investments.

Financial liabilities measured at amortized cost include cheques held in excess of deposit, line of credit, accounts payable and accrued liabilities.

Financial assets measured at fair value include the investment held and marketable securities.

RECOVERY ACRES (CALGARY) SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

2. Significant accounting policies, continued

(b) Financial instruments, continued

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no 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 the statement of operations.

(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.

(c) Inventory

Inventory of food and supplies is valued by management at the lower of cost and net realizable value.

(d) Capital assets

Capital assets are recorded at cost. The Society provides for amortization using the declining balance method at rates designed to amortize the cost of the capital assets over their estimated useful lives. One half of the year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal. The annual amortization rates are as follows:

Buildings	2-5%
Computer software	55%
Furniture and fixtures	10%
Computer equipment	20%
Vehicles	20%

RECOVERY ACRES (CALGARY) SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

2. Significant accounting policies, continued

(e) Impairment of long-lived assets

The Society tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected undiscounted future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

(f) Revenue recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions are recorded as deferred revenue and recognized as revenue in the year in which the related expenditures are incurred. Unrestricted donations and contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets. Contributions for capital assets are included as deferred capital contributions and are amortized to revenue at the same rate and on the same basis as amortization of the related capital assets.

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

Investment income includes dividends and interest income recorded on the accrual basis, as well as realized investment gains and losses and unrealized gains and losses on financial instruments subsequently measured at fair value. Investment income is included in the statement of operations, deferred or reported directly in net assets depending on the nature of any external restrictions imposed on the investment income.

(g) Net assets restricted for endowment purposes

The Society established the 1835 Endowment as part of its long-term strategy to create an independent source of funds for future operations. This irrevocable fund is retained and managed by the Calgary Foundation. See Note 3.

(h) Contributed materials and services

Contributions of materials and services are recognized in the financial statements at fair value at the date of contribution, but only when a fair value can be reasonably estimated and when the materials and services are used in the normal course of operations, and would otherwise have been purchased.

RECOVERY ACRES (CALGARY) SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

2. Significant accounting policies, continued

(i) Measurement uncertainty

The preparation of 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 at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Significant areas requiring the use of estimates include: inventory valuation and useful lives of deferred capital contributions and useful lives of capital assets. Actual results may differ from management's best estimates as additional information becomes available in the future.

3. Marketable securities

	2024	2023
Fixed income	\$ 420,534	\$ 368,204
Equities	434,624	472,668
	\$ 855,158	\$ 840,872

The original cost of investments is \$767,027 (2023 - 764,989).

Investment income is outlined below:

	2024	2023
Interest and dividend income	\$ 62,971	\$ 12,047
Fair value adjustments	14,665	(46,551)
Realized gains	7,705	10,384
	\$ 85,341	\$ (24,120)

4. Investment

Investments are administered by the Calgary Foundation and represent the assets of the Society's Endowment Fund (the Blair Moody Memorial Endowment Fund).

RECOVERY ACRES (CALGARY) SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

5. **Capital assets**

	Cost	Accumulated Amortization	2024 Net Book Value	2023 Net Book Value
Land	\$ 1,121,025	\$ -	\$ 1,121,025	\$ 1,121,025
Buildings	1,612,885	1,101,507	511,380	563,792
Furniture and fixtures	385,057	328,235	56,822	57,114
Computer equipment	155,012	137,591	17,421	22,702
Computer software	9,000	2,475	6,525	-
Vehicles	6,597	660	5,937	2,672
	\$ 3,289,576	\$ 1,570,468	\$ 1,719,110	\$ 1,767,305

6. **Line of credit**

A demand operating loan has been authorized by the Society's bank to a maximum of \$150,000 (2023 - \$150,000) and bears interest at the bank's prime lending rate plus 1.5% with interest-only minimum payments due monthly. As at March 31, 2024, the Society had borrowed \$53,330 (2023 - \$100,765) on the loan, which has been broken out separately on the financial statements at March 31, 2024. The loan was repaid in full subsequent to year-end.

A general security agreement covering all present-and after-acquired personal property of the Society has been pledged as security.

7. **Deferred revenue**

	Balance, Beginning	Contributions	Contributions Utilized	Balance, Ending
Capacity building	\$ -	\$ 73,000	\$ -	\$ 73,000
City of Calgary	-	120,000	(52,853)	67,147
Golf tournament	-	4,000	-	4,000
Sponsorships	1,500	6,000	(7,500)	-
	\$ 1,500	\$ 203,000	\$ (60,353)	\$ 144,147

RECOVERY ACRES (CALGARY) SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

8. Deferred capital contributions

Deferred capital contributions represent the deferred portion of contributions from third parties for purchases of capital assets. Deferred capital contributions will be amortized to operating revenue proportionate to the amortization of the cost of the related capital assets to expenditures.

Capital contributions received for the purchase of capital assets that are not amortized (e.g. land) are recorded as direct additions to net assets invested in capital assets.

Changes in deferred capital contributions during the year were as follows:

	2024	2023
Balance, beginning of year	\$ 399,959	\$ 446,482
Amortization to revenues	(70,128)	(46,523)
	\$ 329,831	\$ 399,959

9. Interfund transfer

During the year the Society transferred \$1,306 from the endowment fund to the unrestricted fund and \$42,725 from the unrestricted fund to the investment in capital assets for the purchase of assets.

10. Charitable Fundraising Act of Alberta

Gross contributions received were \$48,605 (2023 - \$47,871).

Gross contributions received were used in accordance with the internal and external restrictions imposed by the donor's request and the Society's disbursement policies. Undesignated donations are allocated for use by the Board of Directors of the Society's.

All expenditures incurred, directly and indirectly, for the purpose of soliciting contributions were \$18,403 (2023 - \$24,807). No remuneration was paid for fundraising activities.

11. Economic dependence

The Society derives approximately 80% (2023 - 89%) of its revenues from Alberta Health Services and is specifically purposed for men's and women's treatment. If this source of revenue was reduced or eliminated, the Society's operations would be significantly restricted.

RECOVERY ACRES (CALGARY) SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2024

12. Financial instruments

The Society is exposed to various financial risks through transactions in financial instruments. The following provides helpful information in assessing the extent of the Society's exposure to these risks.

(a) 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. The Society is exposed to currency risk on investments denominated in foreign currencies. The Society held securities translated to US currency of \$224,674 (CAD (\$304,437) as of March 31, 2024 (2023 - \$239,804 (CAD \$324,5284))).

(b) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether the factors are specific to the instrument or all instruments traded in the market. At March 31, 2024, the Society held marketable securities listed in public markets. These instruments are subject to equity market price fluctuations.

(c) 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 Society's main credit risk relates to its accounts receivable.

(d) Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its line of credit and accounts payable and accrued liabilities.

(e) 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 Society is exposed to interest rate risk on its fixed interest rate financial instruments.

Unless otherwise noted, it is management's opinion that the Society is not exposed to significant other price risks arising from these financial statements.