

**RECOVERY ACRES (CALGARY) SOCIETY**

**FINANCIAL STATEMENTS**

**MARCH 31, 2023**

**RECOVERY ACRES (CALGARY) SOCIETY**  
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**MARCH 31, 2023**

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## INDEPENDENT AUDITOR'S REPORT

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### **To the Members 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, 2023, 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, 2023, 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.

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## INDEPENDENT AUDITOR'S REPORT, continued

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### *Other Information*

The financial statements of Recovery Acres (Calgary) Society for the year ended March 31, 2022 were audited by another auditor who expressed an unqualified opinion on those statements on June 23, 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 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.

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**INDEPENDENT AUDITOR'S REPORT, continued**

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- ♦ 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 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 28, 2023**

*Baker Tilly Catalyst LLP*

**CHARTERED PROFESSIONAL  
ACCOUNTANTS**

**RECOVERY ACRES (CALGARY) SOCIETY**  
**STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2023**

	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
<b>Current</b>		
Cash	\$ -	\$ 81,907
Marketable securities (Note 3)	840,872	1,014,992
Accounts receivable	5,510	2,920
Inventory	2,500	2,500
Prepaid expenditures	10,709	19,671
	859,591	1,121,990
<b>Investments (Note 4)</b>	28,027	27,982
<b>Property and equipment (Note 5)</b>	1,767,305	1,778,273
	1,795,332	1,806,255
	\$ 2,654,923	\$ 2,928,245
<b>Liabilities and net assets</b>		
<b>Current</b>		
Line of credit (Note 6)	\$ 99,751	\$ -
Accounts payable and accrued liabilities	115,624	110,769
CEBA loan payable (Note 8)	40,000	-
Deferred revenue	1,500	5,700
	256,875	116,469
<b>CEBA loan payable</b>	-	40,000
<b>Unamortized capital contributions (Note 7)</b>	399,959	446,482
	656,834	602,951
<b>Net assets</b>		
Unrestricted	602,716	965,521
Restricted for endowment purposes (Note 4)	28,027	27,982
Investment in property and equipment	1,367,346	1,331,791
	1,998,089	2,325,294
	\$ 2,654,923	\$ 2,928,245

Approved on behalf of the board

*Sherrice J. G. ...*

Member

The accompanying notes are an integral part of the financial statements

**RECOVERY ACRES (CALGARY) SOCIETY**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2023**

	<b>2023</b>	<b>2022</b>
<b>Revenue</b>		
Men's program	\$ 1,624,195	\$ 1,558,888
Amortization of unamortized capital contributions (Note 7)	46,523	47,988
Other contributions	63,201	108,643
Fundraising (Note 10)	47,871	37,205
Care program for Women	-	54,005
	1,781,790	1,806,729
<b>Expenditures</b>		
Salaries and related benefits	1,291,933	943,632
Supplies	259,731	231,577
Office	101,243	106,356
Utilities	78,940	74,039
Amortization	72,386	69,063
Repairs and maintenance	62,761	75,906
Professional fees	45,066	56,158
Books and educational materials	33,164	32,419
Cleaning supplies	31,695	20,304
Fundraising (Note 10)	24,807	17,917
Insurance	24,294	21,233
Subscriptions, permits and licenses	16,828	4,935
Advertising and promotion	13,662	23,239
Computer expense	12,364	20,830
Interest and bank charges	9,911	6,957
Telephone and utilities	4,084	4,492
Travel and accommodation	3,356	4,298
	2,086,225	1,713,355
<b>Excess (deficiency) of revenues over expenditures before other income</b>	<b>(304,435)</b>	<b>93,374</b>
<b>Other expenditures/(income)</b>		
Investment income	24,120	(39,669)
Grants from endowment	(1,305)	(1,061)
	22,815	(40,730)
<b>Excess (deficiency) of revenues over expenditures for the year</b>	<b>\$ (327,250)</b>	<b>\$ 134,104</b>

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, 2023**

	Unrestricted	Endowment (Note 3)	Property and equipment	2023	2022
<b>Balance, beginning of year</b>	\$ 965,521	\$ 27,982	\$ 1,331,791	\$ 2,325,294	\$ 2,190,309
<b>Excess (deficiency) of revenues over expenditures</b>	(301,387)	-	(25,863)	(327,250)	134,104
<b>Fair value adjustment on funds invested</b>	-	1,106	-	1,106	1,942
<b>Grants issued</b>	-	(1,061)	-	(1,061)	(1,061)
<b>Interfund transfers (Note 9)</b>	(61,418)	-	61,418	-	-
<b>Balance, ending of year</b>	<u>\$ 602,716</u>	<u>\$ 28,027</u>	<u>\$ 1,367,346</u>	<u>\$ 1,998,089</u>	<u>\$ 2,325,294</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, 2023**

	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>		
Net Income	\$ (327,250)	\$ 134,104
Adjustments for		
Amortization	72,386	69,063
Investment income	24,120	(41,919)
Amortization of unamortized capital contributions	(46,523)	(47,988)
Amortization of deferred contributions	-	(136,317)
Forgivable portion of CEBA loan	-	(10,000)
	(277,267)	(33,057)
Change in non-cash working capital items		
Accounts receivable	(2,590)	57,846
Prepaid expenditures	8,962	(7,920)
Accounts payable and accrued liabilities	4,855	(25,281)
Deferred revenue	(4,200)	5,700
	(270,240)	(2,712)
<b>Cash flows from investing activities</b>		
Proceeds on disposal of marketable securities	150,000	200,000
Purchase of property and equipment	(61,418)	(534,456)
	88,582	(334,456)
<b>Cash flows from financing activities</b>		
Proceeds of long-term debt	-	20,000
Grants and contributions received	-	89,776
	-	109,776
<b>Increase (decrease) in cash</b>	(181,658)	(227,392)
<b>Cash, beginning of year</b>	81,907	309,299
<b>Cash (line of credit), end of year</b>	\$ (99,751)	\$ 81,907

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, 2023**

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**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 1835 House 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) Cash and cash equivalents**

Cash and cash equivalents is defined as cash on hand and cash on deposit, net of cheques issued and outstanding at the report date. The Society considers all investments with maturities of three months or less and bank loans with no fixed terms of repayment to be cash equivalents.

**(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 cash and cash equivalents, accounts receivable and investments.

Financial liabilities measured at amortized cost include the line of credit, accounts payable, accrued liabilities and the CEBA loan payable.

**RECOVERY ACRES (CALGARY) SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2023**

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**2. Significant accounting policies, continued**

**(b) Financial instruments, continued**

**(ii) Impairment**

For financial assets measured at amortized cost, the Society determines whether there are indications of possible impairment. When there is an indication of impairment, and the Society 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. 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.

**(c) Inventory**

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

**(d) Property and equipment**

Property and equipment are recorded at cost. The Society provides for amortization using the straight-line method at rates designed to amortize the cost of the property and equipment 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%
Furniture and fixtures	10%
Computer equipment	20%
Vehicles	20%

**(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.

**RECOVERY ACRES (CALGARY) SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2023**

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**2. Significant accounting policies, continued**

**(f) Revenue recognition**

The Society follows the deferral method of accounting for contributions. Restricted donations and contributions are 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 unamortized 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 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, 2023**

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**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 unamortized capital contributions and useful lives of property and equipment. Actual results may differ from management's best estimates as additional information becomes available in the future.

**3. Marketable securities**

	2023	2022
Fixed income	\$ 368,204	\$ 410,528
Equities	472,668	604,464
	\$ 840,872	\$ 1,014,992

The original cost of investments is \$764,989 (2022 - 888,972).

Investment income is outlined below:

	2023	2022
Realized gains	\$ 10,384	\$ 37,385
Interest and dividend income	12,047	10,922
Fair value adjustments	(46,551)	(8,638)
	\$ (24,120)	\$ 39,669

**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, 2023**

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5. **Capital asset note**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>2023 Net Book Value</b>	<b>2022 Net Book Value</b>
Land	\$ 1,121,025	\$ -	\$ 1,121,025	\$ 1,121,025
Buildings	1,603,409	1,039,616	563,793	571,998
Furniture and fixtures	364,734	307,620	57,114	53,991
Computer equipment	155,012	132,310	22,702	27,288
Vehicles	7,225	4,553	2,672	3,972
	<b>\$ 3,251,405</b>	<b>\$ 1,484,099</b>	<b>\$ 1,767,306</b>	<b>\$ 1,778,274</b>

6. **Line of credit**

A demand operating loan has been authorized by the Society's bank to a maximum of \$150,000 (2022 - \$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, 2023, the Society had borrowed \$100,765 (2022 - \$99,031) on the loan, which has been broken out separately on the financial statements at March 31, 2023. 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.

**RECOVERY ACRES (CALGARY) SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2023**

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**7. Unamortized capital contributions**

Unamortized capital contributions represent the unamortized portion of contributions from third parties for purchases of property and equipment. Unamortized capital contributions will be amortized to operating revenue proportionate to the amortization of the cost of the related property and equipment to expenditures.

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

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

	<b>2023</b>	<b>2022</b>
Balance, beginning of year	\$ 446,482	\$ 467,166
Transferred from deferred contributions	-	27,304
Amortization to revenues	(46,523)	(47,988)
	\$ 399,959	\$ 446,482

**8. Government assistance**

The CEBA is a government-funded loan, payable to a chartered bank, which is non-interest bearing until December 31, 2023, after which interest will be charged at 5% per annum. If repaid prior to December 31, 2023, 33% of the \$60,000 loan will be forgiven. The Organization intends to repay \$40,000 of the loan by December 31, 2023 and therefore \$20,000 was reported as income in prior years and the liability has been adjusted to \$40,000.

**9. Interfund transfers**

During the year, \$61,418 was transferred from the unrestricted fund to the capital fund for capital purchases.

**RECOVERY ACRES (CALGARY) SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2023**

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**10. Charitable Fundraising Act of Alberta**

Gross contributions received were \$47,871 (2022 - \$37,205).

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 \$24,807 (2022 - \$17,917). No remuneration was paid for fundraising activities.

**11. Economic dependence**

The Society derives approximately 89% (2022 - 71%) 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.

**12. Contingent funding agreement**

The Society receives core operating funding from Alberta Health Services ("AHS"). The funding is based on an approved annual grant which is received in monthly installments. Paragraph 2.6 of the Grant Agreement between AHS and Recovery Acres (Calgary) Society made annually since April 1, 1999 refers to a potential refund of surplus funds used for programs. In the event the Society has a surplus of funds, AHS may permit the Society to carry forward the surplus to be used for operating or other purposes agreed to by AHS or may require the Society to refund a portion of the grant based on the percentage relationship the grant bears to the total revenues of the Society from all sources. For the year ended March 31, 2023, the Society had a deficiency of operating revenue over expenditures of \$327,250 (excess in 2022 - \$134,104).

**13. 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 denominated in US currency of \$239,804 (CAD (\$324,528) as of March 31, 2023 (2022 - \$315,763 (CAD \$394,634))).



**RECOVERY ACRES (CALGARY) SOCIETY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2023**

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13. **Financial instruments, continued**

(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, 2023, 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, accounts payable and accrued liabilities, and CEBA loan payable.

(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. Fixed-rate financial instruments subject the Society to a fair value risk.

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

14. **Comparative figures**

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.