

THE ARMY CADET LEAGUE OF CANADA
FINANCIAL STATEMENTS
DECEMBER 31, 2022

CONTENTS

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF OPERATIONS	4
STATEMENT OF CHANGES IN NET ASSETS	5
STATEMENT OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS	7



PARKER PRINS LEBANO
Chartered Professional Accountants
Professional Corporation

INDEPENDENT AUDITORS' REPORT

To the Members of:
THE ARMY CADET LEAGUE OF CANADA

Opinion

We have audited the accompanying financial statements of The Army Cadet League of Canada, which comprise the Statement Of Financial Position as at December 31, 2022, and the Statements Of Operations, Changes In Net Assets and Cash Flows for the year then ended, and Notes To The Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Army Cadet League of Canada as at December 31, 2022, 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.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of The Army Cadet League of Canada 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.

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 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.

In preparing the financial statements, management is responsible for assessing The Army Cadet League of Canada'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 Army Cadet League of Canada or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing The Army Cadet League of Canada's financial reporting process.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.


As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions,

misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Army Cadet League of Canada's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on The Army Cadet League of Canada's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause The Army Cadet League of Canada 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.



Parker Prins Lebrano Chartered Professional Accountants Professional Corporation
Authorized to practice public accounting by the Chartered Professional Accountants of Ontario

Ottawa, Ontario
April 22, 2023

THE ARMY CADET LEAGUE OF CANADA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT		
Cash	\$ 464,123	\$ 724,530
Accounts receivable	18,548	46,220
Inventory	2,848	3,224
Prepaid supplies	5,499	7,721
Prepaid expense	<u>92,793</u>	<u>36,223</u>
	583,811	817,918
CASH RELATED TO RESTRICTED FUNDS (note 13)	157,985	256,663
INVESTMENTS	300,662	-
INVESTMENTS SET ASIDE FOR RESTRICTED FUNDS (note 13)	169,687	81,669
CAPITAL ASSETS (note 3)	<u>4,425</u>	<u>3,748</u>
	<u>\$ 1,216,570</u>	<u>\$ 1,159,998</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 73,742	\$ 40,488
Deferred revenue (note 4)	<u>125,000</u>	<u>125,000</u>
	198,742	165,488
LONG-TERM DEBT (note 5)	<u>60,000</u>	<u>60,000</u>
	<u>258,742</u>	<u>225,488</u>
NET ASSETS		
CONTINGENCY FUND (note 6)	268,459	240,000
WIND-UP CONTINGENCY FUND (note 7)	107,522	106,000
150 th RCAC ANNIVERSARY FUND (note 8)	20,000	35,000
GENERAL FUND	234,175	215,178
RESTRICTED FUNDS (note 13)	<u>327,672</u>	<u>338,332</u>
	<u>957,828</u>	<u>934,510</u>
	<u>\$ 1,216,570</u>	<u>\$ 1,159,998</u>

Approved by the Board:



Director



Director

Glenda Ouellette, Treasurer

Robert Gill, Secretary

THE ARMY CADET LEAGUE OF CANADA

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
REVENUE		
Grant - Department National Defence (notes 4 and 10)	\$ 500,000	\$ 500,000
Contributions from branches	93,148	80,750
Sales - net	2,751	2,511
Government subsidies (note 9)	-	51,543
Miscellaneous	10,330	2,939
Annual general meeting and membership fees	5,555	1,063
Army Cadet Service Medals	135	120
Property tax rebate	3,012	730
Donations - other	16,868	3,069
	<u>631,799</u>	<u>642,725</u>
EXPENDITURES		
Annual and executive meetings	82,099	2,869
Amortization	2,362	1,452
Awards	9,468	29,980
Cadet initiatives	135	3,638
COVID-19 support	-	33,245
Insurance	99,216	105,911
Office expense	39,138	47,071
Professional fees	36,504	34,203
Public relations	20,386	6,684
Rent	56,867	46,026
Salaries and benefits	220,213	207,042
Translation	8,000	9,641
Travel	23,433	3,845
	<u>597,821</u>	<u>531,607</u>
EXCESS OF REVENUE EXPENDITURES FOR THE YEAR	<u>\$ 33,978</u>	<u>\$ 111,118</u>

THE ARMY CADET LEAGUE OF CANADA

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2022

	Contingency Fund (note 6)	Wind-up Contingency Fund (note 7)	150 th RCAC Anniversary Fund (note 8)	General	Restricted Funds (note 13)	2021	2022
NET ASSETS							
Balance, beginning of year	\$ 240,000	\$ 106,000	\$ 35,000	\$ 215,178	\$ 338,332	\$ 815,644	\$ 934,510
Excess (deficiency) of revenue over expenditures for the year	-	-	-	33,978	(10,660)	118,866	23,318
Transfers	28,459	1,522	(15,000)	(14,981)	-	-	-
Balance, end of year	<u>\$ 268,459</u>	<u>\$ 107,522</u>	<u>\$ 20,000</u>	<u>\$ 234,175</u>	<u>\$ 327,672</u>	<u>\$ 934,510</u>	<u>\$ 957,828</u>

THE ARMY CADET LEAGUE OF CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 33,978	\$ 111,118
Items not affecting cash:		
Amortization	<u>2,362</u>	<u>1,452</u>
	36,340	112,570
Net changes in non-cash items related to operations:		
Accounts receivable	27,672	61,234
Inventory	376	199
Prepaid supplies	2,222	196
Prepaid expense	(56,570)	59,657
Accounts payable and accrued liabilities	33,254	11,978
Restricted Funds	<u>(10,660)</u>	<u>7,748</u>
	<u>32,634</u>	<u>253,582</u>
CASH FLOWS USED FOR INVESTING ACTIVITIES		
Purchases of capital assets	<u>(3,039)</u>	<u>(4,310)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	29,595	249,272
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,062,862</u>	<u>813,590</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,092,457</u>	<u>\$ 1,062,862</u>
CASH AND CASH EQUIVALENTS REPRESENTED BY:		
Cash	\$ 464,123	\$ 724,530
Cash related to Restricted Funds	157,985	256,663
Investments	300,662	-
Investments set aside for Restricted Funds	<u>169,687</u>	<u>81,669</u>
	<u>\$ 1,092,457</u>	<u>\$ 1,062,862</u>

THE ARMY CADET LEAGUE OF CANADA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. STATUS AND NATURE OF ACTIVITIES

The Army Cadet League of Canada is a civilian non-profit organization working in partnership with the Canadian Forces to support the Royal Canadian Army Cadet program in promoting and fostering leadership, citizenship, self-reliance, physical fitness, and respect for others in Canadian youth.

The League is a registered charity under the Income Tax Act and as such, is exempt from income taxes provided certain conditions are met.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements include the assets, liabilities, operations and cash flows of the League's National Office. They do not include the assets, liabilities, operations and cash flows of the League's Branches, as they are separate legal entities with separate Boards of Directors.

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following significant accounting policies:

REVENUE RECOGNITION

The League follows the deferral method of accounting for revenue. Under this method, revenue restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted revenue is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Department of National Defence Grant is paid on an annual basis and recorded as revenue on a monthly basis, amortized on a straight-line basis.

Donations are recorded as revenue when received.

Contributions to restricted funds are recognized when received.

Interest is recorded as revenue on the accrual basis.

BASIS OF PRESENTATION

The League's ability to meet its financial obligations is dependent upon all sources of revenue being sufficient to provide adequate cash flows to cover all operating costs and adequate financing and on the ability to realize all assets and discharge liabilities in the normal course of business for the foreseeable future.

USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations require the League's management to make estimates that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Actual results may differ from these estimates.

INVENTORY

Inventory, which is comprised of items held for resale, is estimated at the lower of cost and net realizable value.

THE ARMY CADET LEAGUE OF CANADA

NOTES TO THE FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

CAPITAL ASSETS

Capital assets are stated at cost. Amortization is recorded as using the declining balance method at rates calculated to amortize the cost over their estimated useful lives as follows:

Computers	5 years, straight-line method
Furniture and equipment	20% per annum declining balance method

One-half of the annual amount is claimed in the year of acquisition.

RESTRICTED FUNDS

Restricted Funds represent contributions received for specific purposes. These contributions and their corresponding interest earned and specific expenses are not included in the League's Statement Of Operations And Net Assets, but are disclosed in their separate Statement of Revenue, Expenses and Net Assets.

3. CAPITAL ASSETS

	2022		2021	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer	\$ 4,310	\$ 2,904	\$ 1,406	\$ 3,125
Furniture & equipment	4,311	1,292	3,019	623
	<u>\$ 8,621</u>	<u>\$ 4,196</u>	<u>\$ 4,425</u>	<u>\$ 3,748</u>

4. DEFERRED REVENUE

Included in deferred revenue is a portion of the National Defence Grant received for the Canadian Department of National Defence's fiscal year from April 1, 2022 to March 31, 2023. As a result, of the total grant received in the year (\$500,000), \$125,000 is recorded as deferred revenue.

5. LONG-TERM DEBT

Long-term debt consists of the Canada Emergency Business Account (CEBA). CEBA provides zero-interest loans up to \$60,000. Repayment of the balance of the loan on or before December 31, 2023 will result in loan forgiveness of up to \$20,000.

6. CONTINGENCY FUND

The Contingency Fund represents funds set aside for the purpose of funding unexpected/unbudgeted expenditures. Such expenditures, in accordance with the League's bylaws and subject to approval by the Executive Committee, may include (but are not limited to) legal defence costs and non-insurable claims made against the League. During the current fiscal year, the Executive Committee, upon recommendation of the Finance & Audit Committee, resolved to transfer \$25,000 to the Fund from the General Fund. The remaining transfer in the amount of \$3,459 represents the net investment income earned on the investment and cash funds set aside for the Fund.

THE ARMY CADET LEAGUE OF CANADA

NOTES TO THE FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2022

7. WIND-UP CONTINGENCY FUND

The Wind-up Contingency Fund represents funds set aside for the possible wind-up of the League. Such costs, in accordance with the League's bylaws and subject to approval by the Executive Committee, may include (but are not limited to) lease cancellation costs, severance pay, legal costs and other professional fees. The current year transfer of \$1,522 represents the net investment income earned on the investment and cash funds set aside for the Fund.

8. 150th RCAC ANNIVERSARY FUND

Following the conclusion of the 50th Anniversary celebrations during the fiscal year, the 50th Anniversary Fund was renamed the 150th RCAC Anniversary Fund for the purpose of supporting the Royal Canadian Army Cadets 150th anniversary in 2029. During the current fiscal year, the Executive Committee, upon recommendation of the Finance & Audit Committee, resolved to transfer \$15,000 from the Fund to the General Fund to support the 2022 Gala Dinner which formed part of the 50th Anniversary commemoration activities.

9. GOVERNMENT SUBSIDIES

Under the subsidy provisions administered by the Canada Revenue Agency (CRA) pertaining to the financial hardships experienced as a result of the COVID-19 pandemic, benefits were received by the League under the Canada Emergency Wage Subsidy (CEWS) and the Canada Emergency Commercial Rent Assistance (CECRA) programs. These programs are relatively complex in that different calculations are required for each period, there is no history of reassessments or CRA review and the constantly emerging information has caused some confusion for many organizations. As a result, it is not possible to fully ascertain whether a liability exists with regard to a potential recalculation or repayment of the subsidies received.

10. FINANCIAL DEPENDENCY

The League is dependent on the Canadian Department of National Defence (DND) for annual funding. The League and DND have signed a grant agreement and the League will receive grants for eligible expenditures incurred from April 1, 2022 to March 31, 2023.

11. COMMITMENTS

The League is committed to leases for office space to August 2023. Future minimum lease payment for the next fiscal year is \$23,502.

THE ARMY CADET LEAGUE OF CANADA
NOTES TO THE FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2022

12. FINANCIAL INSTRUMENTS

The League's financial instruments consist of cash, accounts receivable, marketable securities, accounts payable and accrued liabilities and long-term debt. The fair value of the financial instruments approximate their carrying values, unless otherwise stated. It is management's opinion that the League is not exposed to significant interest rate risks arising from these financial instruments other than marketable securities held by the League.

The League records a non-cash credit or debit to Investments Set Aside for Restricted Funds representing the change in the fair market value of these investments.

THE ARMY CADET LEAGUE OF CANADA

NOTES TO THE FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2022

13. RESTRICTED FUNDS

Restricted Funds consist of accumulated contributions and investment income less expenses for the following specific funds established by the League. Each of these internally restricted funds has received contributions and investment income that are only used for specific purposes, as intended by the contributors.

STATEMENT OF REVENUE, EXPENSES AND NET ASSETS - RESTRICTED FUNDS

		Colonels' Commandant & Presidents' Scholarship	Lieutenant- General G. Walsh Founders Award	Gerard Buckley Cadet Fund	1st Canadian Parachute Battalion Bursary	Major-General Howard	Terrence J. Whitty Memorial Bursary	2022	2021
Balance, beginning of year	\$	110,025	17,857	124,608	2,750	68,629	14,463	\$ 338,332	\$ 330,584
Contributions received		-	-	2,500	-	-	213	2,713	1,800
Dividends earned		-	-	-	-	1,235	-	1,235	1,015
Interest earned		7,632	273	1,949	5	33	-	9,892	291
Fair value adjustment		-	-	-	-	(2,480)	-	(2,480)	4,642
Expenses		10,000	5	12,005	5	-	5	22,020	-
		(2,368)	268	(7,556)	-	(1,212)	208	(10,660)	7,748
(Deficiency) excess of revenue over expenditures for the year		\$ 107,657	\$ 18,125	\$ 117,052	\$ 2,750	\$ 67,417	\$ 14,671	\$ 327,672	\$ 338,332