

ALBERTA ANIMAL RESCUE CREW SOCIETY
Financial Statements
Year Ended December 31, 2022

INDEPENDENT AUDITOR'S REPORT

To the Members of Alberta Animal Rescue Crew Society

Qualified Opinion

We have audited the financial statements of Alberta Animal Rescue Crew Society (the company), which comprise the statement of financial position as at December 31, 2022, and the statements of revenues and expenditures, 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2022, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the company derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the company. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2022, current assets and net assets as at December 31, 2022.

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 company in accordance with 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 qualified audit 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 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 company'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 company or to cease operations, or has no realistic alternative but to do so.

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

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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 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 company'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 company'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 company 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.



Chartered Professional Accountants LLP

Calgary, Alberta
June 12, 2023

ALBERTA ANIMAL RESCUE CREW SOCIETY

Statement of Financial Position

December 31, 2022

	2022	2021
ASSETS		
Current		
Cash	\$ 1,552,259	\$ 906,359
Restricted cash (Note 5)	1,186,132	1,370,554
Term deposits (Note 6)	50,000	50,000
Accounts receivable	67,852	49,072
Prepaid expenses	57,920	33,026
	<u>2,914,163</u>	<u>2,409,011</u>
Capital assets (Note 7)	554,080	767,546
	<u>\$ 3,468,243</u>	<u>\$ 3,176,557</u>
LIABILITIES		
Current		
Accounts payable	\$ 53,401	\$ 61,982
Employee deductions payable	20,657	32,656
Deferred contributions related to capital assets (Note 8)	92,941	148,567
Deferred contributions related to operations (Note 8)	427,132	666,554
Current portion of obligations under capital lease (Note 9)	-	3,579
	<u>594,131</u>	<u>913,338</u>
Obligations under capital lease (Note 9)	-	1,317
	<u>594,131</u>	<u>914,655</u>
NET ASSETS		
Unrestricted	1,561,032	790,356
Invested in capital assets	554,080	767,546
Restricted (note 5)	759,000	704,000
	<u>2,874,112</u>	<u>2,261,902</u>
	<u>\$ 3,468,243</u>	<u>\$ 3,176,557</u>

See notes to financial statements

ALBERTA ANIMAL RESCUE CREW SOCIETY**Statement of Revenues and Expenditures****Year Ended December 31, 2022**

	2022	2021
Revenues		
Donations and fundraising (<i>Schedule 3</i>)	\$ 3,478,200	\$ 2,740,153
Program revenue	890,113	1,013,154
Grant revenue	623,160	291,105
Interest and other revenue	21,658	10,282
	5,013,131	4,054,694
Expenses		
Shelter and program delivery (<i>Schedule 1</i>)	3,145,310	2,691,224
Donations and fundraising (<i>Schedule 3</i>)	492,430	388,865
General and administrative (<i>Schedule 2</i>)	467,769	392,189
Amortization	295,412	358,640
	4,400,921	3,830,918
Excess of revenues over expenses	\$ 612,210	\$ 223,776

See notes to financial statements

ALBERTA ANIMAL RESCUE CREW SOCIETY

Statement of Changes in Net Assets

Year Ended December 31, 2022

	Unrestricted	Invested in capital assets	Restricted (Note 5)	2022	2021
Net assets - beginning of year	\$ 790,356	\$ 767,546	\$ 704,000	\$ 2,261,902	\$ 2,038,126
Excess of revenues over expenses	612,210	-	-	612,210	223,776
Amortization reallocation	295,412	(295,412)	-	-	-
Net purchase of capital assets	(81,946)	81,946	-	-	-
Transfer to restricted funds	(55,000)	-	55,000	-	-
Net assets - end of year	\$ 1,561,032	\$ 554,080	\$ 759,000	\$ 2,874,112	\$ 2,261,902

See notes to financial statements

ALBERTA ANIMAL RESCUE CREW SOCIETY**Statement of Cash Flows****Year Ended December 31, 2022**

	2022	2021
Operating activities		
Excess of revenues over expenses	\$ 612,210	\$ 223,776
Items not affecting cash:		
Amortization of capital assets	295,412	358,640
Loss (gain) on disposal of assets	495	(8,786)
	908,117	573,630
Changes in non-cash working capital:		
Restricted cash	184,422	(302,154)
Accounts payable	(8,580)	(43,703)
Employee deductions payable	(11,999)	(7,238)
Accounts receivable	(18,780)	30,386
Prepaid expenses	(24,895)	900
Deferred contributions related to capital assets	(55,626)	(13,723)
Deferred contributions related to operations	(239,422)	302,154
	(174,880)	(33,378)
Cash flow from operating activities	733,237	540,252
Investing activities		
Proceeds on disposal of capital assets	-	33,000
Purchase of capital assets	(82,441)	(238,206)
Cash flow used by investing activities	(82,441)	(205,206)
Financing activity		
Repayment of obligations under capital lease	(4,896)	(3,579)
Increase in cash flow	645,900	331,467
Cash - beginning of year	906,359	574,892
Cash - end of year	\$ 1,552,259	\$ 906,359

See notes to financial statements

ALBERTA ANIMAL RESCUE CREW SOCIETY

Notes to Financial Statements

Year Ended December 31, 2022

1. PURPOSE OF THE COMPANY

Alberta Animal Rescue Crew Society (the "Society") is a not-for-profit organization incorporated provincially under the Societies Act of Alberta. As a registered charity the society is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The Society has a mission to improve the lives of animals by rescuing and providing sanctuary to abandoned, surrendered, or abused animals, assisting communities to achieve healthy and respectful relationships with animals, and promoting responsible and compassionate guardianship, and advocating on behalf of all animals.

2. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) consistently applied. The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. While actual results could differ from such estimates, these financial statements have, in management's opinion, been properly prepared using careful judgement within reasonable limits of materiality and within the framework of the significant accounting policies summarized as follows:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash includes cash and cash equivalents. Where applicable, cash equivalents are investments in treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated amortization and is amortized over its estimated useful life on a declining balance basis at the following rates and methods:

Other machinery and equipment	5 years	straight-line method
Leasehold improvements	5 years	straight-line method
Equipment	3 years	straight-line method
Furniture and fixtures	3 years	straight-line method
Motor vehicles	2 -3 years	straight-line method

Revenue recognition

Alberta Animal Rescue Crew Society follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted 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.

Service fees are recognized when the services are rendered, the amount of the revenue can be reasonably estimated, and collection is reasonably assured.

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ALBERTA ANIMAL RESCUE CREW SOCIETY

Notes to Financial Statements

Year Ended December 31, 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contributed services

The operations of the Society depend on both the contribution of time by volunteers and donated materials from various sources.

Contributed materials are recorded at their fair market value at the time of donation. The fair value of donated services cannot be reasonably determined and are therefore not reflected in these financial statements.

Goods and Services Tax

Contributed materials and services are recoverable at 50% as a rebate. The unrecoverable portion is recorded as an expense with the rebate treated as a receivable. In addition, GST is collected and remitted net of Input Tax Credits on sales of merchandise as part of fundraising activities.

Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the year, except for amortization, which has been translated at the same rate as the related assets.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, where applicable, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

4. FINANCIAL INSTRUMENTS

The company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the company's risk exposure and concentration as of December 31, 2022.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The society is not materially exposed to credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The society is exposed to this risk mainly in respect of its receipt of funds from its donors.

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ALBERTA ANIMAL RESCUE CREW SOCIETY

Notes to Financial Statements

Year Ended December 31, 2022

4. FINANCIAL INSTRUMENTS *(continued)*

Market risk

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

a) Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Society is not materially exposed to foreign currency exchange risk as there are no material foreign currency transactions.

b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Society is not materially exposed to interest rate risk.

c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Society is not exposed to other price risk.

Fair value risk

The Society's carrying value of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair value due to the immediate or short term maturity of these instruments. The Society is not materially exposed to fair value risk

ALBERTA ANIMAL RESCUE CREW SOCIETY

Notes to Financial Statements

Year Ended December 31, 2022

5. RESTRICTED CASH

Cash includes internally and externally restricted cash for specific purposes as follows:

	2022	2021
<u>Internally restricted cash</u>		
Purchase and/or replace capital asset	\$ 349,000	\$ 344,000
Operating costs in the event of a shortage of funds	410,000	360,000
	759,000	704,000
<u>Externally restricted cash</u>		
AGLC lottery and casino	374,659	531,364
Petsmart Charities	52,436	131,231
Other	37	3,959
	427,132	666,554
	\$ 1,186,132	\$ 1,370,554

Externally restricted cash is received from various fundraising efforts and is recorded as deferred contributions (Note 8) until the restricted expense is incurred.

AGLC (Alberta Gaming and Liquor Commission) cash is received from lotteries and casinos hosted by the Society and is restricted to certain operating expenses setout by AGLC.

Petsmart Charities restricted cash is received as grants for the specific purpose of transportation and support activities related to preparing animals for adoption.

6. TERM DEPOSIT

The term deposit is a 24 month, non redeemable guaranteed investment certificate bearing interest at 0.93% per annum, maturing August 26, 2022.

7. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Leasehold improvements	\$ 886,343	\$ 559,478	\$ 326,865	\$ 422,522
Equipment	566,046	452,827	113,219	177,397
Other machinery and equipment	325,073	259,830	65,243	83,038
Motor vehicles	173,494	142,685	30,809	66,126
Furniture and fixtures	74,063	56,119	17,944	18,463
	\$ 2,025,019	\$ 1,470,939	\$ 554,080	\$ 767,546

ALBERTA ANIMAL RESCUE CREW SOCIETY**Notes to Financial Statements****Year Ended December 31, 2022****8. DEFERRED CONTRIBUTIONS**

Deferred contributions consist of the following

	<u>2022</u>	<u>2021</u>
<u>Deferred contributions related to operations</u>		
Balance - beginning of the year	\$ 666,554	\$ 364,400
Additions	1,732,284	903,234
Utilizations	<u>(1,971,706)</u>	<u>(601,080)</u>
	<u>427,132</u>	<u>666,554</u>
 <u>Deferred contributions related to capital assets</u>		
Balance - beginning of the year	148,567	162,290
Additions	-	51,371
Utilizations	<u>(55,626)</u>	<u>(65,094)</u>
	<u>92,941</u>	<u>148,567</u>
	<u>\$ 520,073</u>	<u>\$ 815,121</u>

9. OBLIGATIONS UNDER CAPITAL LEASE

	<u>2022</u>	<u>2021</u>
National Leasing capital lease repayable in non-interest bearing monthly instalments of \$298 and secured by related equipment. Amount fully paid during the year	\$ -	\$ 4,896
Amounts payable within one year	<u>-</u>	<u>(3,579)</u>
	<u>\$ -</u>	<u>\$ 1,317</u>

10. COMMITMENTS

The Society renewed an occupancy lease agreement with a base lease amount of \$10,490 per month, expiring February, 2027.

The Society has entered an occupancy lease agreement for its Edmonton location with a base lease amount of \$7,265 per month, expiring April, 2025.

The Society entered an agreement to purchase a minimum amount of \$5,459 per month of veterinary products and services from a single vendor, expiring March, 2023. As part of this agreement the Society received a piece of equipment valued at \$118,000 in the 2017 fiscal year.

11. GIFTS IN KIND

During the year, the Society recognized \$10,100 (2021: \$8,629) of donated materials that were recorded at fair market value as donation revenue and consumed in the shelter and program delivery expense.

ALBERTA ANIMAL RESCUE CREW SOCIETY**Shelter and Program Delivery****(Schedule 1)****Year Ended December 31, 2022**

	2022	2021
Expenses		
Direct animal and rescue outreach	\$ 1,567,741	\$ 1,326,483
Wages, salaries, and benefits	1,041,197	886,987
Shelter operations	533,460	475,951
Memberships	2,912	1,803
	\$ 3,145,310	\$ 2,691,224

ALBERTA ANIMAL RESCUE CREW SOCIETY**General and Administrative****(Schedule 2)****Year Ended December 31, 2022**

	2022	2021
Expenses		
Wages, salaries, and benefits	\$ 319,304	\$ 287,516
Office and other administrative	50,541	37,609
Goods and service tax	39,994	37,281
Staff and volunteer development	29,247	10,429
Professional fees	23,805	14,871
Interest and bank charges	4,878	4,483
	\$ 467,769	\$ 392,189

See notes to financial statements

ALBERTA ANIMAL RESCUE CREW SOCIETY**Donations and Fundraising****(Schedule 3)****Year Ended December 31, 2022**

	2022	2021
Revenues		
Donations	\$ 2,391,693	\$ 2,077,433
AGLC and other fundraising	830,830	453,067
Merchandise	224,102	209,653
Events	31,575	-
	3,478,200	2,740,153
Expenses (recovery)		
Fundraising	341,313	265,272
Merchandise	131,965	123,593
Events	19,152	-
	492,430	388,865
Net donations and fundraising income	\$ 2,985,770	\$ 2,351,288

See notes to financial statements