AARC Adolescent Recovery Centre
Financial Statements
March 31, 2024

To the Board of Directors of AARC Adolescent Recovery Centre:

Qualified Opinion

We have audited the financial statements of AARC Adolescent Recovery Centre (the "Organization"), which comprise the statement of financial position as at March 31, 2024, 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, 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 Organization as at March 31, 2024, 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 Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations and 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 Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donation and fundraising revenue, excess (deficiency) of revenues over expenses, and cash flows from operations for the year ended March 31, 2024 and net assets as at March 31, 2024.

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 Organization 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 qualified opinion.

Other Matter

The financial statement for the year ended March 31, 2023 were audited by another auditor who expressed a qualified opinion on those statements on August 22, 2023 for the reasons described in the Basis for Qualified opinion paragraph.

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

Those charged with governance are responsible for overseeing the Organization'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 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 Organization'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 Organization'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 Organization 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

MNP LLP

August 15, 2024

Chartered Professional Accountants

AARC Adolescent Recovery Centre
Statement of Financial Position
As at March 31, 2024

	2024	2023
Assets		
Current		
Cash	**788,380**	213,251
Accounts receivable	**79,709**	107,280
Marketable securities *(Note 3)*	**3,108,818**	4,161,087
Prepaid expenses and deposits	**121,375**	94,724
	4,098,282	4,576,342
Capital assets *(Note 4)*	**4,021,076**	4,048,534
Intangible asset, at cost	**100,000**	100,000
	8,219,358	8,724,876
Liabilities		
Current		
Accounts payable and accruals	**198,168**	373,077
Deferred contributions *(Note 5)*	**119,984**	115,698
Retirement obligation *(Note 6)*	**-**	268,800
	318,152	757,575
Deferred contributions related to capital assets *(Note 7)*	**3,148,303**	3,177,272
	3,466,455	3,934,847
Net Assets	**4,752,903**	4,790,029
	8,219,358	8,724,876

Approved on behalf of the Board

e-Signed by Bob Nelson
2024-08-15 15:35:34:34 MDT
Director

e-Signed by Benjamin Hudy
2024-08-15 15:15:43:43 MDT
Director

The accompanying notes are an integral part of these financial statements

AARC Adolescent Recovery Centre
Statement of Operations
For the year ended March 31, 2024

	2024	*2023*
Revenue		
Grants	**1,244,416**	1,196,248
Fundraising	**757,382**	557,810
Donations	**736,984**	705,001
Dividends, interest and other *(Note 8)*	**217,483**	206,969
Amortization of deferred contributions related to capital assets *(Note 7)*	**133,534**	137,553
Fees	**128,941**	130,777
Fundraising in-kind *(Note 9)*	**69,813**	15,594
	3,288,553	2,949,952
Expenses		
Clinical	**2,150,771**	1,957,151
Administration	**473,233**	466,375
Community relationships and fund development	**285,490**	229,884
Building	**271,288**	277,818
Fundraising	**227,853**	195,387
Amortization	**183,052**	171,813
Fundraising in-kind *(Note 9)*	**69,813**	15,594
Legal and consulting	**-**	1,250
Total expenses	**3,661,500**	3,315,272
Deficiency of revenue over expenses before investment income	**(372,947)**	(365,320)
Gain in value of marketable securities	**335,821**	608,299
Excess of revenue over expenses	**(37,126)**	242,979

The accompanying notes are an integral part of these financial statements

AARC Adolescent Recovery Centre
Statement of Changes in Net Assets
For the year ended March 31, 2024

	Invested in Capital Assets	*Unrestricted*	*2024*	*2023*
Net assets beginning of year	**971,262**	**3,818,767**	**4,790,029**	4,583,799
Acquisition of capital assets	**94,835**	**(94,835)**	**-**	-
(Deficiency) excess of revenue over expenses	**(49,518)**	**12,394**	**(37,126)**	242,979
Revaluation of retirement obligation *(Note 6)*	**-**	**-**	**-**	(36,749)
Net assets, end of year	**1,016,579**	**3,736,326**	**4,752,903**	4,790,029

The accompanying notes are an integral part of these financial statements

AARC Adolescent Recovery Centre
Statement of Cash Flows
For the year ended March 31, 2024

	2024	*2023*
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	**(37,126)**	242,979
Amortization	**183,052**	171,813
Amortization of deferred contributions related to capital assets	**(133,534)**	(137,553)
Gain in value of marketable securities	**(335,821)**	(608,299)
	(323,429)	(331,060)
Changes in working capital accounts		
Accounts receivable	**27,571**	(16,595)
Prepaid expenses and deposits	**(26,651)**	(34,962)
Accounts payable and accruals	**(174,909)**	(4,384)
Deferred contributions	**4,286**	39,829
Retirement obligation	**(268,800)**	-
	(761,932)	(347,172)
Financing		
Repayment of margin account loan	**-**	(487,653)
Investing		
Purchase of marketable securities	**(1,600,000)**	(1,492,275)
Proceeds on disposal of marketable securities	**2,988,090**	2,445,616
Purchase of capital assets	**(155,594)**	(163,862)
Contributions received related to capital assets	**104,565**	-
Redemption of short-term investment	**-**	100,000
Change in restricted cash	**-**	26,676
	1,337,061	916,155
Decrease in cash resources	**575,129**	81,330
Cash resources, beginning of year	**213,251**	131,921
Cash resources, end of year	**788,380**	213,251

The accompanying notes are an integral part of these financial statements

1. Incorporation and nature of the organization

AARC Adolescent Recovery Centre (the “Organization”) is an organization operating a treatment centre for adolescents suffering from the disease of alcoholism and/or drug addiction, and their families. The centre is based on a cost effective, research-based, clinically validated treatment model. The Organization also provides current, relevant information and perspectives on adolescent chemical dependency to as many individuals and institutions as possible throughout the community.

The Organization is a registered charitable organization for purposes of the Income Tax Act and is exempt from Part I tax under Section 149(1)(f). Accordingly, no provision for income taxes has been made in these financial statements..

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, which are part of Canadian generally accepted accounting principles, and include the following significant accounting policies:

Investments

Investments with prices quoted in an active market are measured at fair value while those that are not quoted in an active market are measured at cost less impairment. Short term investments represent Guaranteed Investment Certificates (GICs) bearing interest rates as mandated by the financial institution with the latest maturity date one year from the date of origin.

Capital assets

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of their contribution.

Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Buildings	4 %
Automotive	30 %
Computer equipment	30 %
Equipment	20 %
Furniture and fixtures	20 %
Office equipment	20-30 %

Intangible asset

The intangible capital asset consists of a copyright for the treatment program with an indefinite life and is recorded at cost.

When an intangible asset no longer contributes to the Organization’s ability to provide goods or services, or the value of future economic benefits or service potential associated with the intangible asset is less than its net carrying amount, its carrying amount is written down to fair value.

Retirement obligation

The retirement obligation is determined based on the present value of the future payments, according the the agreement.

Revenue recognition

The Organization 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.

2. Significant accounting policies *(Continued from previous page)*

Revenue recognition *(Continued from previous page)*

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

Other revenue consists of sign rental, and other miscellaneous receipts which are recognized as revenue when received or when collection is reasonably assured.

The Organization sets fees by assessing each client's financial situation and ability to pay. Fees are recognized as revenue evenly over the treatment period.

Government assistance

The Organization has adopted the policy to account for government assistance/subsidies as income when received or receivable when there is reasonable assurance of collection from the government agency.

Contributed materials and services

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Organization's operations and would otherwise have been purchased.

The Organization does not recognize the hours of volunteer services received in the year from individuals.

Financial instruments

The Organization recognizes financial instruments when the Organization becomes party to the contractual provisions of the financial instrument.

Arm's length financial instruments

Financial instruments originated/acquired or issued/assumed in an arm’s length transaction (“arm’s length financial instruments”) are initially recorded at their fair value.

At initial recognition, the Organization may irrevocably elect to subsequently measure any arm’s length financial instrument at fair value. The Organization has not made such an election during the year.

The Organization subsequently measures investments in equity instruments quoted in an active market and all derivative instruments. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in excess of revenue over expenses. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Related party financial instruments

The Organization initially measures the following financial instruments originated/acquired or issued/assumed in a related party transaction at cost on initial recognition. When the financial instrument has repayment terms, cost is determined using the undiscounted cash flows, excluding interest, dividend, variable and contingent payments, less any impairment losses previously recognized by the transferor. When the financial instrument does not have repayment terms, but the consideration transferred has repayment terms, cost is determined based on the repayment terms of the consideration transferred. When the financial instrument and the consideration transferred both do not have repayment terms, the cost is equal to the carrying or exchange amount of the consideration transferred or received.

The Organization subsequently measures financial instruments that were initially measured at cost and derivatives that are linked to, and must be settled by, delivery of unquoted equity instruments of another entity, are subsequently measured using the cost method less any reduction for impairment.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of related party financial instruments are immediately recognized in excess of revenue over expenses.

2. Significant accounting policies *(Continued from previous page)*

Financial instruments *(Continued from previous page)*

Financial asset impairment

The Organization assesses impairment of all its financial assets measured at cost or amortized cost. When there is an indication of impairment, the Organization determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year.

The Organization reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the statement of financial position date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

Any impairment, which is not considered temporary, is included in current year excess of revenue over expenses.

The Organization reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in excess of revenue over expenses in the year the reversal occurs.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity 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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future years could be material. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenue over expenses in the year in which they become known.

3. Marketable securities

	2024	*2023*
Marketable securities - fair value	**1,508,818**	4,161,087
Guaranteed Investment Certificates (GICs)	**1,600,000**	-
	3,108,818	4,161,087

Marketable securities reported at fair value consist of shares in Canadian publicly traded companies with a cost of $1,373,256 (2023 - $2,609,421).

4. Capital assets

	Cost	Accumulated amortization	2024 Net book value	2023 Net book value
Land	**484,639**	**-**	**484,639**	484,639
Buildings	**7,074,718**	**3,758,741**	**3,315,977**	3,391,363
Automotive	**113,882**	**110,453**	**3,429**	4,898
Computer equipment	**320,012**	**286,168**	**33,844**	10,754
Equipment	**276,418**	**269,517**	**6,901**	8,626
Furniture and fixtures	**645,299**	**556,247**	**89,052**	44,520
Office equipment	**237,688**	**178,554**	**59,134**	75,634
Artwork	**28,100**	**-**	**28,100**	28,100
	9,180,756	**5,159,680**	**4,021,076**	4,048,534

5. Deferred contributions

The following table represents changes in the deferred contributions balance attributable to each major category of external restrictions:

	Balance, beginning of year	Contributions received	Contributions recognized	Balance, end of year
4Boys Fund	11,818	12,366	1,371	22,813
Gala Event	44,100	66,600	44,100	66,600
Restricted funding for operating programs	59,780	-	29,209	30,571
	115,698	**78,966**	**74,680**	**119,984**

6. Retirement obligation

During 2015, an employment agreement was signed with a key employee that required the Organization to provide a retiring allowance upon termination of the agreement. The original employment agreement was replaced by another employment agreement. The current agreement covers the employment of the key individual for the period January 1, 2023 to December 31, 2024 and all accrued retirement benefits were repaid by December 31, 2023.

7. Deferred contributions related to capital assets

Deferred capital contributions consist of the unamortized amount of contributions received for the purchase of capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized. Changes in deferred capital contributions are as follows:

	2024	2023
Balance, beginning of year	**3,177,272**	3,313,825
Contributions received, related to repair and retrofit of capital assets	**125,000**	-
Less: Amounts spent on items considered repair expenses	**(20,435)**	-
Contributions received and spent related to capital assets	**-**	1,000
Less: Amounts recognized as revenue during the year	**(133,534)**	(137,553)
Balance, end of year	**3,148,303**	3,177,272

8. The Calgary Foundation and other income

The Calgary Foundation holds and administers $352,923 (2023 - $341,630) on behalf of the Organization. The principal amount is not available for withdrawal by the Organization and, as such, is not included in these financial statements. However, endowment grants from the funds in the amount of $16,588 (2023 - $16,579) have been paid to the Organization and are included in investment and other income.

9. Non-monetary transactions

The statement of cash flows does not include in-kind donated materials and services related to fundraising of $69,813 (2023 - $15,594), operating payments of $69,813 (2023 - $15,594) and donated capital assets of $Nil (2023 - $1,000).

10. Supplemental cash flow information

The total compensation to Organization employees whose principal duties were fundraising amounted to $80,000 (2023 - $80,000).

11. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest rate, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

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 financial instruments that potentially subject the Organization to a significant concentration of credit risk consist primarily of cash and accounts receivable. The Organization mitigates its exposure to credit loss by placing its cash with major financial institutions.

Accounts receivable has no significant concentration of credit risk with any one party or industry. As such, credit risk of accounts receivable is considered low.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. Management closely monitors cash flow requirements to ensure that it has sufficient cash available to meet operational and financial obligations.

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. The Organization's investments in public company securities expose the Organization to price risks as equity investments are subject to price changes in an open market. The Organization does not use derivative financial instruments to mitigate the effects of this risk.

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. In seeking to minimize the risks from interest rate fluctuations, the Organization manages exposure through its normal operating and financing activities. The Organization is exposed to interest rate risk primarily through its guaranteed investment certificate investments.

12. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.