

THE RAINBOW SOCIETY OF ALBERTA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

INDEPENDENT AUDITORS' REPORT

To the Board of The Rainbow Society of Alberta

Qualified Opinion

We have audited the financial statements of The Rainbow Society of Alberta (the "Society"), 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, 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 Society 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 Qualified Opinion

In common with many not-for-profit organizations, the Society derives revenue from fundraising and donations, 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 Society. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising and donation 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. The audit opinion on the financial statements for the year ended December 31, 2021 was qualified accordingly because of the possible effects of this limitation of scope.

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 Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Other Matter

The financial statements for the year ended December 31, 2021 were audited by another auditor who expressed a qualified opinion on those financial statements on April 30, 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 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 Society's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

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Auditor's Responsibility 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 it 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 Society's internal control.
- Evaluate the appropriateness of accounting policies 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 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 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.

METRIX GROUP LLP

Chartered Professional Accountants

Edmonton, Alberta
May 13, 2023

THE RAINBOW SOCIETY OF ALBERTA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ 1,119,759	\$ 504,067
Term deposits (Note 3)	53,775	73,765
Accounts receivable	30,202	17,218
Goods and Services Tax receivable	3,486	4,982
Inventory	11,249	6,063
Prepaid expenses	<u>-</u>	<u>20,564</u>
	1,218,471	626,659
Tangible Capital Assets (Note 4)	<u>10,325</u>	<u>8,681</u>
	<u>\$ 1,228,796</u>	<u>\$ 635,340</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 30,895	\$ 30,716
Deferred contributions (Note 5)	145,095	94,753
Canada Emergency Business Account loan payable	<u>60,000</u>	<u>60,000</u>
	<u>235,990</u>	<u>185,469</u>
Net Assets		
Invested in tangible capital assets	10,325	8,681
Unrestricted	<u>982,481</u>	<u>441,190</u>
	<u>992,806</u>	<u>449,871</u>
	<u>\$ 1,228,796</u>	<u>\$ 635,340</u>

APPROVED ON BEHALF OF THE BOARD:

 _____ Director

 _____ Director

THE RAINBOW SOCIETY OF ALBERTA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
Revenue		
Donations	\$ 600,476	\$ 49,460
Fundraising	304,908	216,621
Sponsorship	124,494	-
Events	34,205	-
Interest	9,337	1,485
Other	5,187	5,272
Grants (Note 7)	2,467	60,272
Canada emergency wage and rent subsidies	<u>-</u>	<u>56,722</u>
	<u>1,081,074</u>	<u>389,832</u>
Expenses		
Wishes	359,534	292,024
Fundraising	98,281	21,874
Administration	77,024	24,735
Amortization	<u>3,300</u>	<u>3,611</u>
	<u>538,139</u>	<u>342,244</u>
Excess of Revenue over Expenses	<u>\$ 542,935</u>	<u>\$ 47,588</u>

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

	Invested in Tangible Capital <u>Assets</u>	<u>Unrestricted</u>	2022 <u>Total</u>	2021 <u>Total</u>
Balance, Beginning of Year	\$ 8,681	\$ 441,190	\$ 449,871	\$ 402,283
Excess of Revenue over Expenses	-	542,935	542,935	47,588
Purchase of Tangible Capital Assets	4,944	(4,944)	-	-
Amortization of Tangible Capital Assets	<u>(3,300)</u>	<u>3,300</u>	<u>-</u>	<u>-</u>
Balance, End of Year	<u>\$ 10,325</u>	<u>\$ 982,481</u>	<u>\$ 992,806</u>	<u>\$ 449,871</u>

THE RAINBOW SOCIETY OF ALBERTA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
Operating Activities		
Cash from operations		
Excess of revenue over expenses	\$ 542,935	\$ 47,588
Items not affecting cash:		
Amortization of tangible capital assets	<u>3,300</u>	<u>3,611</u>
	546,235	51,199
Change in non-cash working capital:		
Accounts receivable	(12,984)	19,636
Goods and Services Tax receivable	1,496	62
Inventory	(5,186)	(3,242)
Prepaid expenses	20,564	(8,610)
Accounts payable and accrued liabilities	179	17,891
Deferred contributions	<u>50,342</u>	<u>28,093</u>
	600,646	105,029
Investing Activities		
Change in term deposits	19,990	(20,111)
Purchase of tangible capital assets	<u>(4,944)</u>	<u>-</u>
	<u>15,046</u>	<u>(20,111)</u>
Change in Cash During the Year	615,692	84,918
Cash, Beginning of Year	<u>504,067</u>	<u>419,149</u>
Cash, End of Year	<u>\$ 1,119,759</u>	<u>\$ 504,067</u>

THE RAINBOW SOCIETY OF ALBERTA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. NATURE OF OPERATIONS

The Society is a not-for-profit organization incorporated under *The Societies Act* of Alberta on November 28, 1996 and is a registered charity under the income tax act, and as such, is exempt from income taxes. The Society is dedicated to fulfilling wishes of Alberta children with chronic or life threatening illnesses

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Inventory

Inventory consists of promotional goods and is valued at the lower of cost and replacement cost.

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Contributed tangible capital assets are recorded at fair value at the date of contribution. When a tangible capital asset no longer contributes to the Society's ability to provide services or the value of future economic benefits associated with the tangible capital asset is less than its net book value, the carrying value of the tangible capital asset is reduced to reflect the decline in the asset's value. Any net write-downs are accounted for as expenses in the statement of operations.

Tangible capital assets are amortized over their estimated useful lives at the following rates and methods:

Computer equipment	30%	declining balance method
Furniture and fixtures	30%	declining balance method
Automobiles	30%	declining balance method

Revenue Recognition

The 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.

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.

Fundraising revenue is recognized as of the date of the event.

Contributed Goods and Services

Contributed goods are recorded when fair value can be reasonably estimated.

Contributed services of volunteers are not recognized in these financial statements as their fair value cannot be reasonably determined

THE RAINBOW SOCIETY OF ALBERTA
NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recorded amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. All estimates are reviewed periodically and adjustments are made to the statements of operations as appropriate in the year they become known.

Financial Instruments

Measurement of financial instruments

The Society initially measures its financial assets and financial liabilities at fair value and subsequently measures all financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, term deposits and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and loans payable.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

3. TERM DEPOSITS

Term deposits bear interest at rates ranging between 1.9% - 2.5% and mature in 2023.

4. TANGIBLE CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2022</u>	<u>2021</u>
Automobiles	\$ 23,675	\$ 18,629	\$ 5,046	\$ 7,209
Computer equipment	30,656	25,774	4,882	905
Furniture and fixtures	<u>1,819</u>	<u>1,422</u>	<u>397</u>	<u>567</u>
	<u>\$ 56,150</u>	<u>\$ 45,825</u>	<u>\$ 10,325</u>	<u>\$ 8,681</u>

THE RAINBOW SOCIETY OF ALBERTA
NOTES TO FINANCIAL STATEMENTS (CONT'D)

DECEMBER 31, 2022

5. DEFERRED CONTRIBUTIONS

Deferred contributions represent restricted operating funding received or receivable in the current year for which the corresponding expenses have not yet been incurred. Changes in the deferred contributions balance are as follows:

	<u>2021</u>	Contributions received <u>during year</u>	Amounts recognized as <u>revenue</u>	<u>2022</u>
AGLC funds	\$ 85,673	\$ 71,987	\$ (12,565)	\$ 145,095
Other	<u>9,080</u>	<u>-</u>	<u>(9,080)</u>	<u>-</u>
	<u>\$ 94,753</u>	<u>\$ 71,987</u>	<u>\$ (21,645)</u>	<u>\$ 145,095</u>

6. COMMITMENTS

The Society rents its premises under a lease agreement which expires on September 30, 2023. The lease contains renewal options and provides for payment of utilities, property taxes and maintenance costs. Future minimum lease payments are \$13,200 for 2023.

7. INCOME EARNED ON FUNDS HELD FOR ENDOWMENT

Funds held for endowment are held by The Calgary Foundation, The Edmonton Civic Employees Charitable Assistance Fund (ECECAF) and the Edmonton Community Foundation. The Society recognized grant revenue of \$2,467 (2021 - \$60,272).

8. FINANCIAL INSTRUMENTS

It is management's opinion that the Society is not exposed to significant credit, liquidity, market, currency, interest rate or other price risk through its financial instruments which include cash, term deposits, accounts receivable, accounts payable and accrued liabilities and loans payable.

9. COMPARATIVE FIGURES

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