

THE ARMY CADET LEAGUE OF CANADA
FINANCIAL STATEMENTS
DECEMBER 31, 2023

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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, 2023, 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, 2023, 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.

Emphasis of Matter

We draw attention to Note 11 to the financial statements which describes the League's financial dependence on the funding provided by Canadian Department of National Defence.

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 Lebano Chartered Professional Accountants Professional Corporation
Authorized to practice public accounting by the Chartered Professional Accountants of Ontario

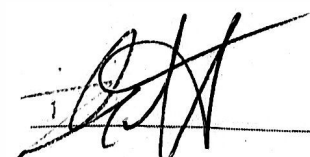
Ottawa, Ontario
April 4, 2024

THE ARMY CADET LEAGUE OF CANADA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	2023	2022
ASSETS		
CURRENT		
Cash	\$ 569,943	\$ 464,123
Accounts receivable	634	146
Recoverable HST	26,946	18,402
Inventory	9,718	2,848
Prepaid supplies	10,983	5,499
Prepaid expense	104,653	92,793
	722,877	583,811
CASH RELATED TO RESTRICTED FUNDS (note 15)	187,957	157,985
INVESTMENTS (note 3)	-	300,662
INVESTMENTS SET ASIDE FOR RESTRICTED FUNDS (notes 4 and 15)	128,421	169,687
CAPITAL ASSETS (note 5)	7,210	4,425
	\$ 1,046,465	\$ 1,216,570
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 25,036	\$ 73,742
Deferred revenue (note 6)	125,000	125,000
	150,036	198,742
LONG-TERM DEBT (note 7)	-	60,000
	150,036	258,742
NET ASSETS		
CONTINGENCY FUND (note 8)	276,895	268,459
WIND-UP CONTINGENCY FUND (note 9)	111,005	107,522
150 th RCAC ANNIVERSARY FUND (note 10)	20,000	20,000
GENERAL FUND	172,151	234,175
RESTRICTED FUNDS (note 15)	316,378	327,672
	896,429	957,828
	\$ 1,046,465	\$ 1,216,570

Approved by the Board:


 _____ Director
 Michael Johnson, Treasurer
 (original signed)


 _____ Director
 Robert Gill, Secretary
 (original signed)

The accompanying notes are an integral part of the financial statements.

THE ARMY CADET LEAGUE OF CANADA

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>
REVENUE		
Grant - Department National Defence (notes 6 and 11)	\$ 500,000	\$ 500,000
Contributions from branches	83,040	93,148
Donations - other	57,746	16,868
Miscellaneous	20,763	10,330
Government subsidies (note 7)	20,000	-
Annual general meeting and membership fees	10,060	5,555
Sales - net	6,705	2,751
Property tax rebate	2,358	3,012
Army Cadet Service Medals	1,500	135
	<u>702,172</u>	<u>631,799</u>
EXPENDITURES		
Salaries and benefits	249,082	220,213
Annual and executive meetings	130,161	82,099
Insurance	93,471	99,216
Professional fees	60,935	36,504
Travel	47,366	23,433
Lease termination	39,572	-
Office expense	38,840	39,138
Rent	37,472	56,867
Amortization	28,593	2,362
Public relations	11,708	20,386
Translation	9,932	8,000
Awards	4,395	9,468
Cadet initiatives	750	135
	<u>752,277</u>	<u>597,821</u>
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR	<u>\$ (50,105)</u>	<u>\$ 33,978</u>

THE ARMY CADET LEAGUE OF CANADA

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2023

		Contingency Fund (note 8)	Wind-up Contingency Fund (note 9)	150 th RCAC Anniversary Fund (note 10)	General	Restricted Funds (note 15)	2023	2022
NET ASSETS								
Balance, beginning of year	\$	268,459	\$ 107,522	\$ 20,000	\$ 234,175	\$ 327,672	\$ 957,828	\$ 934,510
Excess (deficiency) of revenue over expenditures for the year		-	-	-	(50,105)	(11,294)	(61,399)	23,318
Transfers		8,436	3,483	-	(11,919)	-	-	-
Balance, end of year	\$	<u>276,895</u>	<u>\$ 111,005</u>	<u>\$ 20,000</u>	<u>\$ 172,151</u>	<u>\$ 316,378</u>	<u>\$ 896,429</u>	<u>\$ 957,828</u>

THE ARMY CADET LEAGUE OF CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
CASH FLOWS (USED FOR) FROM OPERATING ACTIVITIES		
(Deficiency) excess of revenue over expenditures	\$ (50,105)	\$ 33,978
Items not affecting cash:		
Amortization	28,593	2,362
Loan forgiveness (note 7)	(20,000)	-
	(41,512)	36,340
Net changes in non-cash items related to operations:		
Accounts receivable	(488)	32,581
Recoverable HST	(8,544)	(4,909)
Inventory	(6,870)	376
Prepaid supplies	(5,484)	2,222
Prepaid expense	(11,860)	(56,570)
Accounts payable and accrued liabilities	(48,706)	33,254
Restricted Funds	(11,294)	(10,660)
	(134,758)	32,634
CASH FLOWS USED FOR INVESTING ACTIVITIES		
Purchases of capital assets	(31,378)	(3,039)
CASH FLOWS USED FOR FINANCING ACTIVITIES		
Repayment of long-term debt, net of forgivable portion (note 7)	(40,000)	-
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(206,136)	29,595
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,092,457	1,062,862
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 886,321	\$ 1,092,457
CASH AND CASH EQUIVALENTS REPRESENTED BY:		
Cash	\$ 569,943	\$ 464,123
Cash related to Restricted Funds	187,957	157,985
Investments	-	300,662
Investments set aside for Restricted Funds	128,421	169,687
	\$ 886,321	\$ 1,092,457

THE ARMY CADET LEAGUE OF CANADA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

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, 2023

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	3 years, straight-line method
Furniture and equipment	20% per annum declining balance method
Leasehold improvements	Straight-line method, over the initial lease term

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. INVESTMENTS

The December 31, 2022 balance consisted of various redeemable Guaranteed Investment Certificates maturing on December 9, 2023 and bearing interest at 3.5% per annum.

4. INVESTMENTS SET ASIDE FOR RESTRICTED FUNDS

The December 31, 2023 balance consists of various redeemable and non-redeemable Guaranteed Investment Certificates maturing on December 9, 2024 to December 9, 2025 and bearing interest from 3.5% per annum to 5% per annum.

The December 31, 2022 balance consisted of various redeemable and non-redeemable Guaranteed Investment Certificates maturing on December 9, 2023 to December 9, 2025 and bearing interest from 3.5% per annum to 5% per annum in the amount of \$139,792. The balance also included portfolio investments consisting of publicly traded shares with a fair market value of \$29,895.

5. CAPITAL ASSETS

	2023		2022	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer	\$ 4,310	\$ 4,310	\$ -	\$ 1,406
Furniture & equipment	10,892	3,682	7,210	3,019
Leasehold improvements	24,796	24,796	-	-
	<u>\$ 39,998</u>	<u>\$ 32,788</u>	<u>\$ 7,210</u>	<u>\$ 4,425</u>

THE ARMY CADET LEAGUE OF CANADA

NOTES TO THE FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2023

6. 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, 2023 to March 31, 2024. As a result, of the total grant received in the year (\$500,000), \$125,000 is recorded as deferred revenue.

7. LONG-TERM DEBT

Long-term debt consisting of the Canada Emergency Business Account (CEBA) was repaid during the fiscal year. As per the terms of the CEBA, the League made a payment in the amount of \$40,000 before the repayment deadline and received loan forgiveness in the amount of \$20,000.

8. 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. The current year transfer in the amount of \$8,436 (2022- \$3,459) represents the net investment income earned on the investment and cash funds set aside for the Fund.

9. 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 \$3,483 (2022- \$1,522) represents the net investment income earned on the investment and cash funds set aside for the Fund.

10. 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.

11. 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, 2023 to March 31, 2024.

THE ARMY CADET LEAGUE OF CANADA
NOTES TO THE FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2023

12. COMMITMENTS

The League is committed to leases for office space to October 31, 2024. Future minimum lease payment for the next fiscal year is \$11,300.

13. 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.

14. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified in order to conform with the presentation of the current year financial statements.

THE ARMY CADET LEAGUE OF CANADA
NOTES TO THE FINANCIAL STATEMENTS (continued)
DECEMBER 31, 2023

15. 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	2023	2022
Balance, beginning of year	\$ 107,657	\$ 18,125	\$ 117,052	\$ 2,750	\$ 67,417	\$ 14,671	\$ 327,672	\$ 338,332
Contributions received	-	-	1,615	-	-	-	1,615	2,713
Dividends earned	-	-	-	-	403	-	403	1,235
Interest earned	3,112	840	5,611	92	1,502	568	11,725	9,892
Fair value adjustment	-	-	-	-	-	-	-	(2,480)
Awards	(5,000)	(1,524)	(15,000)	(500)	-	(3,000)	(25,024)	(22,000)
Administrative expenses	(3)	-	-	(2)	(6)	(2)	(13)	(20)
(Deficiency) excess of revenue over expenditures for the year	(1,891)	(684)	(7,774)	(410)	1,899	(2,434)	(11,294)	(10,660)
Balance, end of year	\$ 105,766	\$ 17,441	\$ 109,278	\$ 2,340	\$ 69,316	\$ 12,237	\$ 316,378	\$ 327,672