

Financial Statements of

THE ROYAL ALBERTA UNITED SERVICES INSTITUTE

And the Report of the Auditors thereon

Year ended December 31, 2020

Independent Auditors' Report

To the Members of The Royal Alberta United Services Institute

Opinion

We have audited the accompanying financial statements of The Royal Alberta United Services Institute (the "Institute"), which comprise the statement of financial position as at December 31, 2020, the statement of operations, the statement of changes of net assets and the statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Royal Alberta United Services Institute as at December 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for a not-for-profit organization.

Basis for Our 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. While we are members of the Institute, we are independent of the management and governance body of the Institute in accordance with the ethical requirements that are relevant to our audit of financial statements in Canada, and 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 to the preparation and fair presentation of these 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 and those charged with governance are responsible for assessing the Institute'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 it is intended to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error and to issue a 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 if 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 based on these financial statements.


As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise judgment and maintain 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- 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 Institute's internal controls.
- 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 Institute's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention to it in our 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 report. However, subsequent events or conditions may cause the Institute to cease to continue as a going concern.

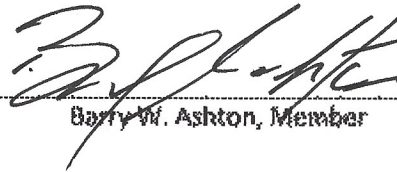
- Evaluate the overall presentation, structure and content of the financials, including the disclosures, and whether the financial statements represent the underlying transactions and events that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including significant deficiencies in internal control that we identify during our audit.

Calgary, Alberta
March 31, 2021



Robert S. Miller, Member




Barry W. Ashton, Member

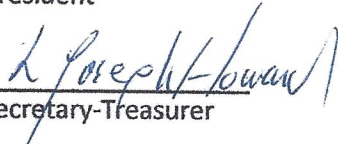
THE ROYAL ALBERTA UNITED SERVICES INSTITUTE
Statement of Financial Position
December 31, 2020, with comparative information for 2019

	Operating Fund	Casino Fund	2020	Total 2019
Assets				
Current Assets:				
Cash (note 3)	\$ 15,235	\$ 47,951	\$ 63,186	\$ 99,287
Accounts receivable	2,000	-	2,000	1,530
Merchandise	890	-	890	890
	18,125	47,951	66,076	101,707
Investments (note 4)	236,483	-	236,483	249,810
	\$ 254,608	\$ 47,951	\$ 302,559	\$ 351,517
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 1,322	\$ -	\$ 1,322	\$ 6,098
Prepaid membership dues	4,439	-	4,439	5,958
Deferred contributions (note 3)	-	47,951	47,951	91,952
	5,761	47,951	53,712	104,007
Net Assets:				
Internally restricted (note 5)	160,773	-	160,773	182,762
Unrestricted	88,074	-	88,074	64,748
	248,847	-	248,847	247,510
Commitment (note 6)	-	-	-	-
	\$ 254,608	\$ 47,951	\$ 302,559	\$ 351,517

See accompanying notes to the financial statements.

Approved on behalf of the Board of Directors:


Mark Soehner, President


L. Joseph Howard, Secretary-Treasurer

THE ROYAL ALBERTA UNITED SERVICES INSTITUTE

Statement of Operations

Year ended December 31, 2020, with comparative information for 2019

	Operating Fund	Casino Fund	Total	
			2020	2019
Revenues:				
Casino (note 3)	\$ -	\$ 44,001	\$ 44,001	\$ 47,759
Membership dues	6,430	-	6,430	6,513
Special events and other	1,947	-	1,947	4,946
Interest and investment income	4,557	32	4,589	2,777
Change in unrealized gain/(loss) on investments	7,224	-	7,224	15,079
	\$ 20,158	\$ 44,033	\$ 64,191	\$ 77,074
Expenses:				
Special events and miscellaneous	\$ -	\$ 15,732	\$ 15,732	\$ 13,840
Secretarial expenses - contract	16,620	-	16,620	20,652
Casino Advisors	-	-	-	2,351
Registration and affiliation fees	169	500	669	500
Accounting and audit	1,979	-	1,979	2,142
Donations and bursaries (notes 3 and 8)	-	15,500	15,500	22,560
Stationary and office supplies	235	7,293	7,528	9,157
Access fee (note 7)	-	2,006	2,006	4,013
Insurance	-	1,556	1,556	4,954
Directors and committee meetings	269	-	269	1,156
Travel	-	2,216	2,216	1,381
Rent (note 7)	-	-	-	1,200
Bank charges	654	124	778	1,007
Publications	-	-	-	2,429
	\$ 19,928	\$ 44,926	\$ 64,854	\$ 87,346
Excess (deficiency) of revenues over expenses	\$ 230	\$ (893)	\$ (663)	\$ (10,272)

See accompanying notes to financial statements.

THE ROYAL ALBERTA UNITED SERVICES INSTITUTE

Statement of Changes in Net Assets

Year ended December 31, 2020, with comparative information for 2019 (restated)

Changes in Net Assets	Internally Restricted	Unrestricted	2020	2019
Balance, beginning of year	\$ 182,762	\$ 64,748	\$ 247,510	\$ 257,782
Adjustment to correct prior years' allocations	7,781	(7,781)	-	-
	190,543	56,967	247,510	257,782
Adjustment for 2019 levy due from Foundation	-	2,000	2,000	-
	190,543	58,967	249,510	257,782
Authorized allocation to support 2020 centennial	(30,000)	30,000	-	-
	160,543	88,967	249,510	257,782
Excess (deficiency) of revenues over expenses	230	(893)	(663)	(10,272)
Balance, end of year	\$ 160,773	\$ 88,074	\$ 248,847	\$ 247,510

See accompanying notes to financial statements.

THE ROYAL ALBERTA UNITED SERVICES INSTITUTE

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019 (restated)

	2020	2019
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenues over expenditures	\$ (663)	\$ (10,272)
Items not affecting cash flows:		
Depreciation	-	826
Unrealized decrease (increase) in fair market value of investments	(7,224)	(15,079)
	(7,887)	(24,525)
Net change in non-cash working capital balances:		
Accounts receivable	1,530	(1,130)
Merchandise	-	773
Prepaid expenses and deposits	-	1,994
Accounts payable and accrued liabilities	(4,776)	1,885
Prepaid membership dues	(1,519)	1,768
Deferred contributions	(44,001)	28,924
	(56,652)	9,689
Investing:		
Amount drawn from investment to fund operations	25,000	20,000
Realized investment income reinvested	(4,449)	(4,121)
	20,551	15,879
Increase (decrease) in cash during the year	(36,101)	25,568
Cash, beginning of year	99,287	73,720
Cash, end of year	\$ 63,186	\$ 99,288
Cash is comprised of:		
Cash - operating account	\$ 15,235	\$ 3,275
Cash - casino account	47,951	96,012
Total	\$ 63,186	\$ 99,287

See accompanying notes to financial statements.

THE ROYAL ALBERTA UNITED SERVICES INSTITUTE

Notes to the Financial Statements

Year ended December 31, 2020, with comparative information for 2019 (restated)

Nature of operations:

The Royal Alberta United Services Institute (the "Institute") was incorporated in accordance with the Societies Act of Alberta. It succeeds the Alberta Military Institute incorporated May 14, 1920 and is currently one of twenty United Services Institutes in Canada.

The purpose of the Institute is to encourage and promote the arts, science, and literature in regard to the defence and security of Canada.

The Institute is a not-for-profit organization under Section 149(1) of the Income Tax Act and accordingly is not subject to income tax.

1. Significant accounting policies:

a. Basis of accounting:

The Institute maintains its accounts using the accrual basis of accounting. Under this method, all revenue is recorded when earned and collection is reasonably assured, with expenses recorded when incurred.

b. Cash:

Cash includes cash on deposit and term deposits with original maturities of one year or less.

c. Merchandise:

Merchandise for sale is recorded at lower of cost or net realizable value on a specific item basis.

d. Property and Equipment:

Facility improvements, furniture and equipment have been either expensed or been disposed of and therefore for the year ended December 31, 2020 no value remains on the Institute's books for property and equipment.

e. Revenue recognition:

The Institute follows the deferral method of accounting for contributions, which includes membership dues. Restricted contributions, such as casino proceeds, are recognized as revenue in the year in which the related expenses are incurred.

THE ROYAL ALBERTA UNITED SERVICES INSTITUTE

Notes to the Financial Statements

Year ended December 31, 2020, with comparative information for 2019 (restated)

Unrestricted contributions, which are not designated for a specific purpose, are recognized as revenue when received and the event is completed. The casino proceeds are used to advance the Institute's programs, as allowed by the Alberta Gaming Liquor and Cannabis Commission (AGLC) and as approved by the Board of Directors.

f. Donated materials and services:

Donations in kind are recorded in the financial statements at fair market value when fair market value can be reasonably estimated, and they would otherwise have to be purchased. Volunteers contribute substantial time and services to assist the Institute in carrying out activities. Because of the difficulty of determining fair market values of these donated services, they are not recorded in these financial statements.

g. Measurement uncertainty:

Management has prepared the Institute's financial statements in accordance with Canadian accounting standards for not-for-profit organizations, which require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure contingencies at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Consequently, actual results could differ from these estimates. In management's opinion, the financial statements have been properly prepared with the framework of the significant accounting policies.

h. Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Transaction costs incurred in the acquisition of financial instruments are expensed as incurred.

Financial assets are assessed for impairment on an annual basis at the end of the financial year if there are indicators of impairment. If there is an indicator of impairment, the Institute determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset, or the amount the Institute expects to realize by exercising its right to any collateral. If events and circumstance reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

THE ROYAL ALBERTA UNITED SERVICES INSTITUTE

Notes to the Financial Statements

Year ended December 31, 2020, with comparative information for 2019 (restated)

2. Financial risks:

The Institute believes it is not exposed to significant interest-rate, market or cash flow risk arising from its financial instruments. The Institute is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes. The Institute believes it is not exposed to significant liquidity risk as the investment is held in instruments that are highly liquid and can be disposed of to settle commitments. The Institute deals with a creditworthy counterpart to mitigate the financial loss from default. A significant sum of money is invested with Canaccord Genuity with the market value recorded at year end.

3. Cash – casino account and deferred contributions

The Casino Account is comprised of funds received through AGLC casinos and returned donations. This cash may only be used for activities authorized by AGLC in the Use of Proceeds authorization. The balance of remaining money to be expended is called the deferred contribution: unrecognized casino proceeds. At the end of the year, deferred contributions were comprised of the following amounts:

	2020	2019
Balance, beginning of year	\$ 91,952	\$ 71,028
Casino proceeds received	-	68,333
Other Revenue (Casino Advisors and bank interest)	33	2,378
Casino proceeds recognized as revenue:		
Donations and bursaries paid	(15,500)	(22,560)
General and administrative expenses	(15,734)	(13,299)
Purchase of capital assets Depreciation of Computer	-	-
Registration fees	(500)	(500)
Casino Advisors	-	(2,351)
Resource materials	(10,744)	(6,123)
Insurance	(1,556)	(4,954)
	(44,001)	(49,787)
Balance, end of year	\$ 47,951	\$ 91,952

4. Investments:

THE ROYAL ALBERTA UNITED SERVICES INSTITUTE

Notes to the Financial Statements

Year ended December 31, 2020, with comparative information for 2019 (restated)

The investments are recorded at fair market value and consist of a brokerage account invested in fixed income, preferred shares and equities. Included in investments is cash and cash equivalents of \$56,949 (2019 - \$1,597).

	2020	2019
Opening balance, 1 January	\$ 249,810	\$ 250,610
Income from interest and dividends	4,449	4,121
Investment growth (loss)	7,224	15,079
Withdrawal	(25,000)	(20,000)
Closing balance, 31 December	\$ 236,483	\$ 249,810

During 2020, withdrawals totaling \$25,000 (2019 - \$20,000) were made from the investment account to fund Institute operations.

5. Internally restricted net assets

The Reserve Fund was created to provide financial security to the Institute by providing a source of funds for such capital items as may be required from time to time. The monies may be used by the Board of Directors upon obtaining the approval by Special Resolution of the Members. At the 2019 AGM \$30,000 was approved for use by Directors in presenting the Institute's Centennial Celebrations.

6. Commitment and contingent liabilities

The Institute has access to the Calgary Garrison Officers' Mess (CGOM), at an annual fee for the period 01 April to 31 March being negotiated as the number of members of the Institute times a per capita rate. The fee for the year ending December 31, 2020 was \$2,006 (2019 - \$4,013). As the Institute did not enjoy quiet enjoyment of the CGOM during much of 2020 given the exigencies of Covid-19 that constituted force majeure, the Institute is pursuing a refund of fees paid.

Under the terms of a three-year lease agreement with the Department of National Defence ("landlord") dated 01 April 2017 and expiring 31 March 2020, the Institute committed to an annual facility rental payment for office space located in Mewata. The annual rent of \$1,200 was payable in installments of \$100 per month. Rent expense for 2019 was \$1,200.

In January 2020, the Institute tendered one cheque for \$1,200 to fund the remaining three months of the 2020 term as well as to fund the first nine months of what was expected to be a new agreement to be concluded and effective 01 April 2020 at the same monthly rate.

THE ROYAL ALBERTA UNITED SERVICES INSTITUTE

Notes to the Financial Statements

Year ended December 31, 2020, with comparative information for 2019 (restated)

However, the landlord did not tender the \$1,200 cheque for payment. Following the cheque's becoming stale-dated after six months, the Institute issued a stop payment on the instrument. The Institute asserts it has no future real or contingent liability in respect of this current lease, on the grounds that:

- a. the Institute satisfied all its obligations under the agreement;
- b. the Institute voluntarily advised the landlord in writing of its imminent delinquency in tendering the cheque for payment before the instrument had become stale dated;
- c. the landlord through only its own action failed to tender the cheque for payment; and
- d. the Institute did not enjoy quiet enjoyment of the rented premises during much of 2020 given the exigencies of Covid-19 that constituted force majeure, hence excusing the Institute from liability.

The landlord has not communicated with the Institute concerning expired or future leases.

The AGLC annually audits the Institute's compliance with AGLC regulations concerning the Institute's expenditures of casino funds. The Institute is contingently liable for expenditures not in such compliance.