

THE ROYAL ALBERTA UNITED SERVICES INSTITUTE

REVIEW ENGAGEMENT REPORT FOR 2023

Provision for financial review.

Per Article 60 of the Bylaws to the Royal Alberta United Services Institute (Institute), annual financial statements may be reviewed by two Members of the Institute who are in good standing in lieu of external auditors. The two Members forming the Review team have worked together independently of the Institute's mind and management.

To the Members, Royal Alberta United Services Institute

We have reviewed the accompanying financial statements of The Royal Alberta United Services Institute that comprise the statement of financial position as at December 31, 2023, and the statements of operations and net assets for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for 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.

Review Team's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Review Team's Findings

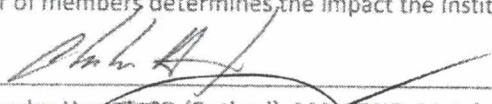
Based on our review, nothing has come to our attention that causes us to believe the financial statements do not present fairly, in all material respects, the financial position of The Royal Alberta United Services Institute as at December 31, 2023, and the results of its operations for the year then ended in accordance with Canadian accounting standards for non-profit organizations.

THE ROYAL ALBERTA UNITED SERVICES INSTITUTE

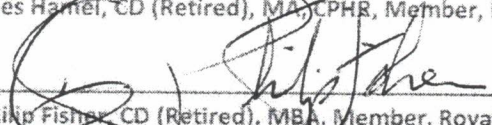
Review Team's Recommendations:

1. **Maintain Internal control.** The Institute should continue to ensure the division of duties within its management, namely, (i) segregate responsibility for physical or virtual access to assets from responsibility for the record keeping function of those assets; (ii) ensure at least two directors approve in writing all expenditures, with neither of these two directors being involved in the physical disbursement of monies to fund such expenditures; (iii) ensure expenditures funded by Alberta Gaming Liquor Cannabis (AGLC)'s gaming funds qualify per AGLC's Charitable Gaming Policies Handbook and approved Use of Proceeds.
2. **Consolidate financial bookkeeping and reporting functions.** The institute should consolidate all functions of bookkeeping, financial and regulatory reporting within the control of one office that is staffed by professional accountants. This will ensure initial bookkeeping is completed to the level of accuracy, completeness and detail that is required for the subsequent completion of year-end financial reports in accordance with Canadian accounting standards for non-profit organizations, and completion of related financial reports required by funding and regulatory agencies and other parties. Such consolidation will yield a seamless accounting process that increases time and cost-efficiency, heightens accountability of management, and enables the Treasurer to focus on e.g., coordinating the approval of expenditures, disbursing and receiving funds, consulting with financial service providers, and providing higher oversight.
3. **Increase cash flow.** CRA regulations prohibit (i) a Registered Charity, such as the R. A. U. S. I. Foundation, from funding operations of a Non-Profit-Organizations, such as the Institute; (ii) a Non-Profit Organization to issue a tax receipt for donations it might receive. Further, AGLC imposes conditions on how gaming funds are to be expended per AGLC's Use of Proceeds, particularly as they apply to funding public education programming which forms the institute's new business model as a think-tank.

The Review Team recommends the Institute (i) pursue grants (government and other), and advance defense and related industry corporate sponsorships tied to specific programs; (ii) engage with Benevity, a Calgary-based firm providing cost-efficient outreach management in solicitation of charitable donations, volunteers and grants; (iii) asking the current membership at the next Annual General Meeting as to the merits of revising the annual membership fee; (iv) invite former members who previously left the Institute to rejoin given the benefits of the new business model, all given that the number of members determines the impact the Institute has on its audience in its remit as a think-tank.



Colonel Charles Hamel, CD (Retired), MA, CPHR, Member, Royal Alberta United Services Institute



Captain G. Philip Fisher, CD (Retired), MBA, Member, Royal Alberta United Services Institute

27 May 2024, Calgary, Alberta

THE ROYAL ALBERTA UNITED SERVICES INSTITUTE

Statement of Financial Position

December 31, 2023, with comparative information for 2022

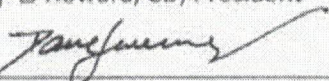
	Operating Fund	Casino Fund	2023	Total 2022
Assets				
Current Assets:				
Cash (notes 2a and 4)	\$ 9,461	\$ 11,032	\$ 20,493	\$ 78,751
Merchandise	-	-	-	740
	9,461	11,032	20,493	79,491
Investments (note 5)	154,921	-	154,921	146,713
	\$ 164,382	\$ 11,032	\$ 175,414	\$ 226,204
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 2,891	\$ -	\$ 2,891	\$ 1,135
Prepaid membership dues	918	-	918	835
Deferred revenue (notes 2a and 4)	-	11,032	11,032	70,483
	3,809	11,032	14,841	72,453
Net Assets:				
Internally restricted (note 6)	72,244	-	72,244	65,422
Unrestricted	88,329	-	88,329	88,329
	160,573	-	160,573	153,751
Commitment (note 7)	-	-	-	-
	\$ 164,382	\$ 11,032	\$ 175,414	\$ 226,204

See accompanying notes to the financial statements.

Approved on behalf of the Board of Directors:



Major (ret) LJ Howard, CD, President



Lieutenant Colonel David Sweeney, CD, Treasurer

THE ROYAL ALBERTA UNITED SERVICES INSTITUTE

Statement of Operations

Year ended December 31, 2023, with comparative information for 2022

	Operating Fund		Casino Fund	Total	
				2023	2022
Revenues:					
Casino proceeds realized (note 4)	\$	-	\$ 59,451	\$ 59,451	\$ 3,922
Membership dues, net of merchant fees	\$	1,415	\$ -	\$ 1,415	\$ 6,057
Donations	\$	-	\$ -	\$ -	\$ 5
Special events , net	\$	273	\$ -	\$ 273	\$ -
Realized investment and interest income	\$	3,711	\$ 8	\$ 3,719	\$ 5,646
Unrealized gain / (loss) on investments	\$	4,497	\$ -	\$ 4,497	\$ (20,568)
	\$	9,896	\$ 59,459	\$ 69,355	\$ (4,938)
Expenses:					
Security and defense education programs	\$	-	\$ 47,835	\$ 47,835	\$ 59,602
Special events , net	\$	-	\$ -	\$ -	\$ 362
Casino advisors	\$	-	\$ -	\$ -	\$ 2,351
Accounting and audit	\$	1,280	\$ 6,669	\$ 7,949	\$ 5,224
Mewata access fee (recovered) (note 7a)	\$	-	\$ -	\$ -	\$ (2,006)
Insurance	\$	1,700	\$ -	\$ 1,700	\$ 1,685
Directors and committee meetings	\$	-	\$ -	\$ -	\$ 249
Administration	\$	-	\$ 2,954	\$ 2,954	\$ 2,337
Bank charges	\$	94	\$ 66	\$ 160	\$ 245
Secretarial support	\$	-	\$ 1,935	\$ 1,935	\$ -
	\$	3,074	\$ 59,459	\$ 62,533	\$ 70,049
Excess (deficiency) of revenues over expenses	\$	6,822	\$ -	\$ 6,822	\$ (74,987)

See accompanying notes to financial statements.

THE ROYAL ALBERTA UNITED SERVICES INSTITUTE

Statement of Changes in Net Assets

Year ended December 31, 2023, with comparative information for 2022

Changes in Net Assets	Internally		2023	2022
	Restricted	Unrestricted		
Balance, beginning of year	\$ 65,422	\$ 88,329	\$ 153,751	\$ 228,738
Excess (deficiency) of revenues over expenses	6,822	\$ -	6,822	(74,987)
Balance, end of year	\$ 72,244	\$ 88,329	\$ 160,573	\$ 153,751

See accompanying notes to financial statements.

THE ROYAL ALBERTA UNITED SERVICES INSTITUTE

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022.

1. **Nature of operations:**

The Royal Alberta United Services Institute (the "Institute") was incorporated in accordance with the Societies Act of Alberta 21 May 1947. It succeeds the Alberta Military Institute incorporated 14 May 1920. It is one of approximately twenty United Services Institutes in Canada.

The Institute is a 'Non-Profit Organization' (Business Number 81844 3110 RZ 0001) under Section 149(1) of the Income Tax Act, and accordingly is not subject to income tax. It is not a Registered Charity and is not permitted to issue tax receipts for donations.

The purpose of the Institute is to encourage and promote the arts, science and literature regarding the security and defence of Canada. In 2020, to further that purpose, the Institute began to employ new means to project the Institute as a think tank concentrating on the promotion of research and public education concerning security and defence issues. These means included the development of a comprehensive and data-rich webpage, www.rausi.ca, together with programming and enhanced presence in social media (see note 6 c).

2. **Significant accounting policies:**

a. **Basis of accounting:**

The Institute maintains its accounts under a modified accrual basis of accounting.

Operating revenue:

Operating revenue is recorded on an accrual basis when earned and collection is reasonably assured, with operating expenses recorded when the liability is incurred. The Institute follows the deferral method of accounting for contributions which includes membership dues. Only cash revenue that is earned during the year is reported as revenue on the Statement of Operations.

Unrestricted contributions, which are not designated for a specific purpose, are recognized as revenue when received and the related event is completed.

Proceeds from gaming:

Gaming proceeds received from Alberta Gaming, Liquor Cannabis (AGLC) are used to advance the Institute's programs as permitted by AGLC and approved by the Board of Directors (see note 4 a).

Restricted contributions, such as gaming proceeds, are recognized as revenue in the year in which related expenses are incurred. Gaming funding is initially recorded as deferred proceeds on the Statement of Financial Position when the funding is received. It remains so until funds are expended. At time of expenditure, the deferred amount becomes reported on the Statement of Operations as realized revenue, and the identical amount is recorded as an expenditure. The Statement of Operations reports the break-even result, which serves to further enhance internal control over disbursement of gaming funding received.

THE ROYAL ALBERTA UNITED SERVICES INSTITUTE

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022.

b. Cash:

Cash includes cash on deposit with Scotiabank.

c. Merchandise:

Merchandise for sale (ties, crests, cufflinks, lapel pins) is recorded at the lower of cost or net realizable value.

d. Donated materials and services:

Volunteers contribute substantial time and services to assist the Institute in conducting the Institute's activities. Given the difficulty in determining fair market values of these donated services, they are not recorded in these financial statements.

e. 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 disclosed contingencies at the date of the financial statements and revenue and expenses recognized during the reporting period. Actual results may differ from these estimates. In Management's opinion, the financial statements have been properly prepared within the framework of the significant accounting policies.

f. 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 annually for impairment of value. If indication of same arises, the Institute determines if there is a material adverse change in the expected amount or timing of future cash flows from the financial asset. If a material change arises, 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 such circumstances reverse in future periods, such impairment losses will be reversed to the extent of the improvement, not exceeding the initial carrying value.

3. Financial risk:

The Institute believes it is not exposed to significant interest-rate, market or cash flow risk arising from its financial instruments. The instruments comprise investment-grade corporate debt, real estate investment trusts (REITS) and money market funds. The Institute is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for

THE ROYAL ALBERTA UNITED SERVICES INSTITUTE

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022.

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.

Funds held at Canaccord Genuity (Note 5) are insured by Canada Deposit Insurance Corporation for \$100,000. Funds held at Scotiabank (Note 4) are insured by Canada Deposit Insurance Corporation for \$100,000.

4. Cash:

a. Casino cash account:

Funds provided by AGLC's regulated gaming are held in a segregated account at Scotiabank. Offsetting such amount is an equal amount called deferred revenue. Such funds may only be expended on activities per AGLC's authorized *Use of Proceeds*. When such cash is spent as an authorized expense, the same amount of deferred revenue becomes realized revenue. Thus, the casino cash account on the Statement of Financial Position must always present a balance equal to deferred revenue, and the Statement of Operations must always present a break-even position.

b. Cash (non-AGLC):

Non-AGLC sourced cash is held in a separate account at Scotiabank. This cash comes from the investment account held at Canaccord Genuity, from memberships, and from sundry sources.

5. Investments:

The Institute's investments are held with Canaccord Genuity Corp. the wealth management subsidiary of Canaccord Genuity Group Inc. and a member of the Investment Industry Regulatory Organization of Canada (IIROC).

Investments are recorded at year end at net realizable market, i.e., fair market value. They comprise a brokerage account invested in fixed income, preferred shares and equities.

6. 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 approval by Special Resolution of the Members.

7. Commitment and contingent liabilities:

a. Picrights International Inc request

On 17 February 2024, the Institute received correspondence from Picrights International Inc. Picrights claim to represent three news agencies, namely, Reuters News and Media, Agence France-Press and Associated Press, whose copyrighted pictures have been used by third parties without

THE ROYAL ALBERTA UNITED SERVICES INSTITUTE

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022.

appropriate approval or licenses from the agencies. Picrights states the Institute owes \$2,830 regarding inappropriate use of such pictures on the Institute's website. Picrights states it is not a law firm.

The Institute removed the referenced pictures without admitting liability. The Institute researched and drafted a reply to Picrights, drawing on (i) Canadian Copyright Act (1985) Sec 29, Exceptions: Fair Dealing; (ii) 2004 case law from the Supreme Court of Canada. Based on its research and subject to third party legal advice, the Institute does not intend to pay Picrights any amount.

b. Gaming funds:

Funds generated from provincial gaming are advanced to the Institute. Permissible expenditures of such funds are determined by the *Use of Proceeds* framework that is issued by AGLC and unique to the Institute. AGLC annually audits the Institute's compliance with AGLC regulations and *Use of Proceeds*. The Institute is contingently liable for expenditures not in such compliance.

c. Use of Garrison Officers' Mess, Mewata Armoury:

The Institute had 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 the Institute considered to constitute force majeure, the Institute initiated recovery of the \$2,006. CGOM disputed its obligation to repay, yet the Institute continued to attempt to recover that amount. In 2022, the Institute recovered these funds in full.