

Financial Statements
Canadian Coast Guard Auxiliary
(Central & Arctic) Inc.

Toronto, Ontario

March 31, 2023

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Independent Auditors' Report

To the Members of Canadian Coast Guard Auxiliary (Central & Arctic) Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Canadian Coast Guard Auxiliary (Central & Arctic) Inc., which comprise the statement of financial position as at March 31, 2023 and the statements of operations and accumulated surplus 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 financial statements present fairly, in all material respects, the financial position of Canadian Coast Guard Auxiliary (Central & Arctic) Inc. as at March 31, 2023, and the results of its operations and 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 Canadian Coast Guard Auxiliary (Central & Arctic) Inc. 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.

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 Canadian Coast Guard Auxiliary (Central & Arctic) Inc.'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Canadian Coast Guard Auxiliary (Central & Arctic) Inc.'s financial reporting process.

Independent Auditors' Report - continued

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 Canadian Coast Guard Auxiliary (Central & Arctic) Inc.'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 Canadian Coast Guard Auxiliary (Central & Arctic) Inc.'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 Corporation 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.

Independent Auditors' Report - continued

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.

Toronto, Ontario
August 3, 2023

A handwritten signature in cursive script that reads "Prentice Yates & Clark".

Chartered Professional Accountants, Licensed Public Accountants

Canadian Coast Guard Auxiliary (Central & Arctic) Inc.

March 31, 2023

Statement of Financial Position

2023

2022

| | Restricted | Unrestricted | Total | Total |
|--|------------|--------------|------------|------------|
| Current Assets | | | | |
| Cash | \$ 168,314 | \$ 409,307 | \$ 577,621 | \$ 702,717 |
| Temporary investments | 0 | 30,249 | 30,249 | 30,249 |
| Accounts receivable | 1,046 | 0 | 1,046 | 0 |
| HST receivable | 32,466 | 0 | 32,466 | 96,434 |
| Prepaid expenses | 74,252 | 0 | 74,252 | 34,661 |
| Interfund balance | 352,146 | 0 | 352,146 | 250,077 |
| Total Current | 628,224 | 439,556 | 1,067,780 | 1,114,138 |
| Capital Assets , Note 3 | 5,971 | 126,000 | 131,971 | 148,601 |
| | 634,195 | 565,556 | 1,199,751 | 1,262,739 |
| Current Liabilities | | | | |
| Accounts payable and accrued liabilities | 202,891 | 0 | 202,891 | 391,638 |
| Interfund balance | 0 | 352,146 | 352,146 | 250,077 |
| Total Current | 202,891 | 352,146 | 555,037 | 641,715 |
| Deferred Contributions Related to Capital Assets , Note 4 | 0 | 126,000 | 126,000 | 135,333 |
| Contingency , Note 7 | | | | |
| Net Assets | | | | |
| <i>Unrestricted</i> | | | | |
| Accumulated surplus, per statement | 431,304 | 87,410 | 518,714 | 485,691 |
| | 634,195 | 565,556 | 1,199,751 | 1,262,739 |

Approved by The Board

Director: Jim Oakley

Director: Gary Endicott

The notes on pages 9 through 12 form an integral part of these financial statements.

Canadian Coast Guard Auxiliary (Central & Arctic) Inc.

Year ended March 31, 2023

| Statement of Operations and Accumulated Surplus | | | 2023 | 2022 |
|---|------------------|----------------|------------------|------------------|
| | Restricted | Unrestricted | Total | Total |
| Revenues | | | | |
| Funding from the Department of Fisheries and Oceans, Note 6 | \$ 2,214,560 | \$ 0 | \$ 2,214,560 | \$ 1,635,249 |
| Gain on sale of capital assets | 0 | 0 | 0 | 14,000 |
| Interest | 0 | 0 | 0 | 153 |
| Donations | 0 | 2,055 | 2,055 | 3,900 |
| Amortization of deferred contributions | 0 | 9,333 | 9,333 | 4,667 |
| Other income | 0 | 1,261 | 1,261 | 2,528 |
| Total Revenues | 2,214,560 | 12,649 | 2,227,209 | 1,660,497 |
| Expenses | | | | |
| Members | 162,714 | 5,801 | 168,515 | 101,570 |
| Search and rescue operations | 131,539 | 0 | 131,539 | 158,326 |
| Insurance claims | (299) | 0 | (299) | 10,966 |
| Support to SAR operations | 845,351 | 2,000 | 847,351 | 686,222 |
| SAR awareness | 13,314 | 0 | 13,314 | 7,133 |
| Administration | 331,183 | 82 | 331,265 | 352,804 |
| Training | 685,054 | 131 | 685,185 | 466,512 |
| Promotions | 686 | 0 | 686 | 0 |
| Amortization | 7,297 | 9,333 | 16,630 | 11,964 |
| Total Expenses | 2,176,839 | 17,347 | 2,194,186 | 1,795,497 |
| Surplus (Deficit) | 37,721 | (4,698) | 33,023 | (135,000) |
| Accumulated surplus, beginning of year | 393,583 | 92,108 | 485,691 | 620,691 |
| Accumulated Surplus, end of year | 431,304 | 87,410 | 518,714 | 485,691 |

Canadian Coast Guard Auxiliary (Central & Arctic) Inc.

Year ended March 31, 2023

| Statement of Cash Flows | 2023 | 2022 |
|---|------------------|----------------|
| Operating Activities | | |
| Surplus (deficit) | \$ 33,023 | \$ (135,000) |
| Adjusted for changes not requiring a current cash payment | | |
| Amortization of deferred contributions | (9,333) | (4,667) |
| Amortization of capital assets | 16,630 | 11,964 |
| | 40,320 | (127,703) |
| Add (deduct) changes in non-cash working capital components | | |
| Accounts receivable | (1,046) | 7,000 |
| HST | 63,968 | (6,334) |
| Prepaid expenses | (39,591) | (1,225) |
| Accounts payable and accrued liabilities | (188,747) | 349,272 |
| | (125,096) | 221,010 |
| <i>Cash Provided By (Used In) Operating Activities</i> | (125,096) | 221,010 |
| Net cash increase (decrease) during the year | (125,096) | 221,010 |
| Cash position beginning of year | 702,717 | 481,707 |
| <i>Cash Position End of Year</i> | 577,621 | 702,717 |

Canadian Coast Guard Auxiliary (Central & Arctic) Inc.

March 31, 2023

Notes to Financial Statements

Status and Nature of Activities

Canadian Coast Guard Auxiliary (Central & Arctic) Inc. (the Corporation) was incorporated in December 1978 under the sponsorship of the federal government for the purpose of providing organized voluntary maritime search and rescue and the promotion of safety afloat, in an auxiliary support role to the Canadian Coast Guard. The Corporation receives funding from the Department of Fisheries and Oceans and is dependent on this funding for its continued operation.

The Corporation is a registered charity and is exempt from income tax under paragraph 149(1)(f) of the Income Tax Act.

Note 1

Significant Accounting Policies

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue Recognition

The Corporation 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.

The amortization of deferred contributions for the purchase of capital assets is recognized as revenue on the same basis as the amortization of the acquired capital assets.

Interest income consists of interest earned from bank accounts. Revenue is recognized on an accrual basis.

Use of Estimates

The preparation of financial statements requires management to make assumptions about future events 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 revenues and expenses during the reporting period. Actual results could differ from these estimates.

Note 1 Significant Accounting Policies - continued

Capital Assets

Capital assets are accounted for at cost.

Contributed capital assets are accounted for at their fair value at the date of the donation.

Capital assets are amortized on a straight-line method over their estimated useful lives as follows:

| | |
|------------------|----------|
| Rescue equipment | 5 years |
| SAR equipment | 15 years |

Financial Instruments

(a) Measurement of Financial Instruments

The Corporation initially measures its financial assets and financial liabilities at fair value.

The Corporation subsequently measures all its financial assets and financial liabilities at amortized cost.

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

Financial liabilities measured at amortized cost includes accounts payable.

(b) 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 surplus. 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 income.

Canadian Coast Guard Auxiliary (Central & Arctic) Inc.

March 31, 2023

Note 2 Financial Instruments

Risk Management Policy

The Corporation is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at March 31, 2023:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a loss.

The Corporation is subject to concentrations of credit risk through its cash accounts. The Corporation maintains all of its cash at a single Canadian financial institution. Cash, in excess of \$100,000, not insured through Canada Deposit Insurance Corporation, is exposed to credit risk. The maximum credit risk is equivalent to the carrying value.

Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation is exposed to this risk mainly in respect of its short-term debt. This risk is reduced because of considerable sums in their cash accounts.

Note 3 Capital Assets

| | | | 2023 | 2022 |
|------------------|-----------|-----------------------------|---------------|---------------|
| | Cost | Accumulated Amortization | Net Assets | Net Assets |
| Rescue equipment | \$ 36,486 | \$ (30,515) | \$ 5,971 | \$ 13,268 |
| SAR equipment | 140,000 | (14,000) | 126,000 | 135,333 |
| | 176,486 | (44,515) | 131,971 | 148,601 |

Note 4 Deferred Contributions Related to Capital Assets

During the previous fiscal year, Canadian Coast Guard Auxiliary Inc. was donated a vessel worth \$140,000 for use in its operations.

Deferred contributions remaining at year-end:

| | 2023 | 2022 |
|--|------------|------------|
| Deferred contributions | \$ 140,000 | \$ 140,000 |
| Accumulated amortization | (14,000) | (4,667) |
| Deferred contributions, ending balance | 126,000 | 135,333 |

Canadian Coast Guard Auxiliary (Central & Arctic) Inc.

March 31, 2023

Note 5 Funding Agreement

In 2013, there was a change in Canadian Coast Guard Auxiliary's (CCGA) bylaws which also affected the funding structure. Starting April 1, 2013, the five regional CCGA corporations equally share the financing of CCGA National. The funding provided will be determined on an annual basis and will correspond to the budget of CCGA National approved jointly by the CCGA National Board and the Canadian Coast Guard. The Corporation's total contribution to CCGA National for the year was \$182,564 (2022 - \$181,500).

Note 6 Restriction on Funding

The funding received from the Department of Fisheries & Oceans is restricted solely for the purpose of providing organized maritime search and rescue operations and the promotion of safety afloat.

Note 7 Contingency

An individual has filed an injury lawsuit through the Federal Court of Canada claiming monetary compensation of \$2,500,000. The application is being handled by the organization's insurance company. No amounts related to this application are recorded in these financial statements. The outcome of the application is unknown.