

Financial Statements of

**CHRISTMAS BUREAU
OF EDMONTON**

Year ended February 28, 2017

CHRISTMAS BUREAU OF EDMONTON

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INDEPENDENT AUDITORS' REPORT

To the Directors of Christmas Bureau of Edmonton

We have audited the accompanying financial statements of Christmas Bureau of Edmonton, which comprise the financial position as at February 28, 2017, the statements of operations, changes in net assets and cash flows 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 private enterprises, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Christmas Bureau of Edmonton derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Christmas Bureau of Edmonton. Therefore, we were not able to determine whether, as at or for the year ended February 28, 2017, any adjustments might be necessary to donations, and excess of revenue over expenditures reported in the statement of operations, excess of revenue over expenditures reported in the statement cash flows and current assets and unrestricted net assets reported in the statement of financial position.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Christmas Bureau of Edmonton as at February 28, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Professional Accountants

April 6, 2017

Edmonton, Canada

CHRISTMAS BUREAU OF EDMONTON

Statement of Financial Position

February 28, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 1,107,424	\$ 891,082
Accounts receivable	71,669	1,896
Gift cards and prepaid expenses (note 2)	101,812	261,077
	1,280,905	1,154,055
Investments (note 3)	1,371,873	1,348,421
Advances for tenant improvements (note 4)	325,000	325,000
Capital assets (note 5)	47,461	61,914
	\$ 3,025,239	\$ 2,889,390

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 19,174	\$ 22,551
Deferred revenue (note 6)	775,804	855,903
Current portion of obligation under capital leases (note 7)	2,280	2,280
	797,258	880,734
Obligations under capital leases (note 7)	570	2,850
Unamortized deferred capital contributions (note 8)	42,500	51,000
Net assets:		
Invested in capital assets (note 9)	2,111	5,786
Unrestricted	2,182,800	1,949,020
	2,184,911	1,954,806
	\$ 3,025,239	\$ 2,889,390

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

CHRISTMAS BUREAU OF EDMONTON

Statement of Operations

Year ended February 28, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Donations:		
General	\$ 1,734,588	\$ 1,597,260
Adopt-a-Teen	430,977	348,323
In-kind	168,962	192,047
Grant revenue	48,071	85,900
Investment income (note 10)	37,678	3,066
Amortization of deferred capital contributions (note 8)	8,500	8,500
	<u>2,428,776</u>	<u>2,235,096</u>
Expenditures:		
Program expenditures:		
Food gift cards	1,029,122	1,212,740
Adopt-A-Teen	430,977	348,323
Fund-raising (note 11)	157,192	166,105
Hampers	120,907	126,856
Other expenditures:		
Salaries and benefits	289,420	289,907
Office supplies and printing	59,387	59,611
Computer maintenance	27,369	12,929
Miscellaneous	20,528	13,776
Bank and credit card charges	17,859	16,659
Amortization of capital assets	14,453	14,453
Professional fees	13,991	14,029
Investment management fees	13,152	11,853
Insurance	4,314	4,595
	<u>2,198,671</u>	<u>2,291,836</u>
Excess (deficiency) of revenue over expenditures	\$ 230,105	\$ (56,740)

See accompanying notes to financial statements.

CHRISTMAS BUREAU OF EDMONTON

Statement of Changes in Net Assets

Year ended February 28, 2017, with comparative information for 2016

	Invested in capital assets	Unrestricted	Total 2017	Total 2016
Balance, beginning of year	\$ 5,786	\$ 1,949,020	\$ 1,954,806	\$ 2,011,546
Deficiency of revenue over expenditures	(5,953)	236,058	230,105	(56,740)
Net change in invested in capital assets (note 9)	2,278	(2,278)	-	-
Balance, end of year	\$ 2,111	\$ 2,182,800	\$ 2,184,911	\$ 1,954,806

See accompanying notes to financial statements.

CHRISTMAS BUREAU OF EDMONTON

Statement of Cash Flows

Year ended February 28, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenditures	\$ 230,105	\$ (56,740)
Items not involving cash:		
Amortization of capital assets	14,453	14,453
Amortization of deferred capital contributions	(8,500)	(8,500)
Unrealized (gains) losses on investments	7,363	10,576
Change in non-cash operating working capital:		
(Increase) decrease in accounts receivable	(69,773)	206,376
Increase in prepaid expenses and gift cards	159,265	(144,482)
Decrease in accounts payable and accrued liabilities	(3,377)	(3,609)
(Decrease) increase in deferred revenue	(80,099)	216,931
	249,437	235,005
Financing:		
Repayment of obligations under capital leases	(2,280)	(2,278)
Investing:		
Purchase of investments	(440,976)	(851,822)
Sale of investments	410,161	851,238
Purchase of capital assets	-	(302)
	(30,815)	(886)
Increase in cash	216,342	231,841
Cash, beginning of year	891,082	659,241
Cash, end of year	\$ 1,107,424	\$ 891,082

See accompanying notes to financial statements.

CHRISTMAS BUREAU OF EDMONTON

Notes to Financial Statements

Year ended February 28, 2017

Non-denominational and accessible to all Edmontonians in need, the Christmas Bureau of Edmonton raises funds to provide a festive meal to Edmonton families, seniors and individuals. Approximately 45% of the clients served are children and teens under the age of 18 years. The Bureau also administers the Adopt-A-Teen program which provides teens aged 13 to 17 years of age a Christmas gift card. The Bureau is incorporated under the Societies Act of Alberta and is a registered charity under the Income Tax Act and therefore is exempt from paying tax.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations being Part III of the CPA Canada Handbook - Accounting.

(b) Revenue recognition:

The Bureau follows the deferral method of accounting for contributions. Externally 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. Contributions of capital assets and contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

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.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Bureau has elected to carry all its investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

CHRISTMAS BUREAU OF EDMONTON

Notes to Financial Statements (continued)

Year ended February 28, 2017

1. Significant accounting policies (continued):

(c) Financial instruments (continued):

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

(d) Capital assets:

Capital assets are recorded at cost. Amortization is provided using the straight-line method over the assets' estimated useful lives or the term of the lease, whichever is greater.

(e) Volunteer services:

Volunteers contribute a significant amount of time each year to assist the Bureau in carrying out its programs and services. Contributed services of volunteers and donated materials are not recognized in these financial statements as their fair values cannot be reasonably determined.

The Bureau also offers a Hamper Program to serve Edmontonians in need. Volunteers contribute funds and purchase hamper items, which are then delivered to the deserving family in person. These donated materials are not recorded in these financial statements.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions 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 revenue and expenditures during the reporting period. Actual results could differ from those estimates.

CHRISTMAS BUREAU OF EDMONTON

Notes to Financial Statements (continued)

Year ended February 28, 2017

2. Gift cards and prepaid expenses:

	2017	2016
Sobeys gift cards	\$ 18,990	\$ 185,000
Walmart gift cards (Adopt-A-Teen)	78,700	64,500
Other prepaid expenses	4,122	11,577
	<u>\$ 101,812</u>	<u>\$ 261,077</u>

3. Investments:

	2017	2016
Money market fund	\$ 41,264	\$ 53,381
Fixed-term investments		
Government and government guaranteed bonds	634,374	525,992
Corporate bonds	671,494	744,560
Servus Credit Union Ltd., shares	16,568	16,011
Accrued investment income	8,173	8,477
	<u>\$ 1,371,873</u>	<u>\$ 1,348,421</u>

Fixed-term investments represent investments in government and government guaranteed, and corporate bonds. Government and government guaranteed bonds mature through 2020 (2016 - 2020) and bear interest rates from 1.70% to 3.35% (2016 - 1.70% to 3.35%). Corporate bonds mature through 2023 (2016 - 2022) and bear interest rates from 2.938% to 3.358% (2016 - 2.019% to 4.65%).

4. Advances for tenant improvements:

The Bureau advanced \$325,000 (2016 - \$325,000) to the Jerry Forbes Center (the "Center"), which is a proposed facility for not-for-profit organizations to operate from. The Center will provide the Bureau with a long term lease with completed leaseholds.

CHRISTMAS BUREAU OF EDMONTON

Notes to Financial Statements (continued)

Year ended February 28, 2017

5. Capital assets:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 29,727	\$ 29,727	\$ -	\$ -
Computers	53,597	53,416	181	3,355
Computer software	14,211	14,211	-	-
Assets under capital lease	28,342	26,062	2,280	4,559
Client program system	90,000	45,000	45,000	54,000
	\$ 215,877	\$ 168,416	\$ 47,461	\$ 61,914

6. Deferred revenue:

	Adopt-A-Teen	Gift cards	Total 2017	Total 2016
Balance, beginning of year	\$ 670,903	\$ 185,000	\$ 855,903	\$ 638,972
Contributions received	515,783	100,000	615,783	665,926
Investment income	1,105	-	1,105	1,329
Revenue recognized for qualifying expenditures	(430,977)	(266,010)	(696,987)	(450,324)
Deferred revenue, end of year	\$ 756,814	\$ 18,990	\$ 775,804	\$ 855,903

CHRISTMAS BUREAU OF EDMONTON

Notes to Financial Statements (continued)

Year ended February 28, 2017

7. Obligations under capital lease:

	2017	2016
2017	\$ -	\$ 2,280
2018	2,280	2,280
2019	570	570
Total minimum lease payments	2,850	5,130
Current portion of obligations under capital lease	2,280	2,280
	\$ 570	\$ 2,850

These leases bear interest at fixed rates such that cash flows are not affected by changes in interest rates.

8. Unamortized deferred capital contributions:

Changes in unamortized deferred capital contributions are as follows:

	2017	2016
Balance, beginning of year	\$ 51,000	\$ 59,500
Less amounts recognized as revenue in the year	8,500	8,500
Balance, end of year	\$ 42,500	\$ 51,000

Unamortized deferred capital contributions represent amounts received by the Bureau for development of the client program system in fiscal 2013. This balance is amortized in accordance with the estimated useful life of the client program system.

CHRISTMAS BUREAU OF EDMONTON

Notes to Financial Statements (continued)

Year ended February 28, 2017

9. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	2017	2016
Capital assets	\$ 47,461	\$ 61,914
Amounts financed by:		
Unamortized deferred capital contributions	(42,500)	(51,000)
Obligations under capital leases	(2,850)	(5,128)
	\$ 2,111	\$ 5,786

(b) Net investment in capital assets is calculated as follows:

	2017	2016
Deficiency of revenue over expenditures:		
Amortization of deferred capital contributions	\$ 8,500	\$ 8,500
Amortization of capital assets	(14,453)	(14,453)
	\$ (5,953)	\$ (5,953)
Net investment in capital assets:		
Purchase of capital assets	\$ -	\$ 302
Repayment of obligations under capital leases	2,280	2,278
	\$ 2,280	\$ 2,580

CHRISTMAS BUREAU OF EDMONTON

Notes to Financial Statements (continued)

Year ended February 28, 2017

10. Investment income:

	2017	2016
Interest	\$ 7,114	\$ 42,830
Realized gains (losses) on sale of investments	37,927	(29,188)
Unrealized gains (losses) on investments	(7,363)	(10,576)
	\$ 37,678	\$ 3,066

11. Fund-raising:

	2017	2016
Advertising and promotions	\$ 30,071	\$ 49,920
Fund development	8,336	15,473
Salaries and benefits	118,785	100,712
	\$ 157,192	\$ 166,105

12. Risk management:

The Bureau has a risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments, including a formal investment policy. The risks that arise from transacting financial instruments include credit risk, liquidity risk and price risk.

(a) Liquidity risk:

Liquidity risk is the risk that the Bureau will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Bureau manages its liquidity risk by monitoring its operating requirements. The Bureau prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2016.

CHRISTMAS BUREAU OF EDMONTON

Notes to Financial Statements (continued)

Year ended February 28, 2017

12. Risk management (continued):

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Bureau is exposed to credit risk with respect to the accounts receivable. The Bureau assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

(c) Interest rate risk:

The Bureau is exposed to interest rate risk on its fixed interest rate financial instruments. Further details about the fixed rate investments are included in note 3.

13. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.