

Financial Statements of

**CHRISTMAS BUREAU
OF EDMONTON**

Year ended February 28, 2018

CHRISTMAS BUREAU OF EDMONTON

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KPMG LLP
2200, 10175-101 Street
Edmonton Alberta T5J 0H3
Canada
Tel (780) 429-7300
Fax (780) 429-7379

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, 2018, 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 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.

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, 2018, 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, 2018, 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.

KPMG LLP

Chartered Professional Accountants

April 5, 2018

Edmonton, Canada

CHRISTMAS BUREAU OF EDMONTON

Statement of Financial Position

February 28, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 887,184	\$ 1,107,424
Accounts receivable	20,631	71,669
Gift cards and prepaid expenses (note 2)	193,312	101,812
Short term investments (note 3)	700,000	-
	1,801,127	1,280,905
Investments (note 3)	1,022,700	1,371,873
Advances for tenant improvements (note 4)	325,000	325,000
Capital assets (note 5)	36,121	47,461
	\$ 3,184,948	\$ 3,025,239

Liabilities and Net Assets

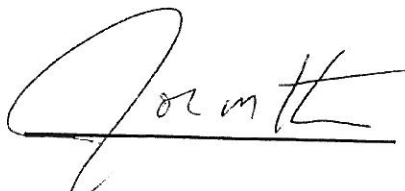
Current liabilities:		
Accounts payable and accrued liabilities	\$ 25,590	\$ 19,174
Deferred revenue (note 6)	923,197	775,804
Current portion of obligation under capital leases (note 7)	570	2,280
	949,357	797,258
Obligation under capital leases (note 7)	-	570
Unamortized deferred capital contributions (note 8)	34,000	42,500
Net assets:		
Invested in capital assets (note 9)	1,551	2,111
Unrestricted	2,200,040	2,182,800
	2,201,591	2,184,911
Contingent liabilities (note 12)		
	\$ 3,184,948	\$ 3,025,239

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

CHRISTMAS BUREAU OF EDMONTON

Statement of Operations

Year ended February 28, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Donations:		
General	\$ 1,389,524	\$ 1,734,588
Adopt-A-Teen	357,481	430,977
In-kind	223,816	193,961
Grant revenue	21,206	48,071
Investment income (note 10)	11,245	37,678
Amortization of deferred capital contributions (note 8)	8,500	8,500
	2,011,772	2,453,775
Expenditures:		
Program expenditures:		
Food gift cards	874,463	1,029,122
Adopt-A-Teen	357,481	430,977
Fund-raising (note 11)	203,531	206,331
Hampers	129,326	120,907
Other expenditures:		
Salaries and benefits	257,232	244,788
Office supplies and printing	59,678	59,387
Occupancy costs	25,000	24,999
Miscellaneous	22,601	20,528
Bank and credit card charges	20,527	17,859
Professional fees	15,355	13,991
Amortization of capital assets	11,340	14,453
Investment management fees	7,585	13,152
Computer maintenance	6,215	22,862
Insurance	4,758	4,314
	1,995,092	2,223,670
Excess of revenue over expenditures	\$ 16,680	\$ 230,105

See accompanying notes to financial statements.

CHRISTMAS BUREAU OF EDMONTON

Statement of Changes in Net Assets

Year ended February 28, 2018, with comparative information for 2017

		Invested in capital assets	Unrestricted	Total 2018	Total 2017
Balance, beginning of year	\$	2,111	\$ 2,182,800	\$ 2,184,911	\$ 1,954,806
Excess of revenue over expenditures		(2,840)	19,520	16,680	230,105
Net change in invested in capital assets (note 9)		2,280	(2,280)	-	-
Balance, end of year	\$	1,551	\$ 2,200,040	\$ 2,201,591	\$ 2,184,911

See accompanying notes to financial statements.

CHRISTMAS BUREAU OF EDMONTON

Statement of Cash Flows

Year ended February 28, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditures	\$ 16,680	\$ 230,105
Items not involving cash:		
Amortization of capital assets	11,340	14,453
Amortization of deferred capital contributions	(8,500)	(8,500)
Unrealized losses on investments	-	7,363
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	51,038	(69,773)
Decrease (increase) in gift cards and prepaid expenses	(91,500)	159,265
Increase (decrease) in accounts payable and accrued liabilities	6,416	(3,377)
Increase (decrease) in deferred revenue	147,393	(80,099)
	132,867	249,437
Financing:		
Repayment of obligation under capital leases	(2,280)	(2,280)
Investing:		
Purchase of investments	(1,693,287)	(440,976)
Sale of investments	1,342,460	410,161
	(350,827)	(30,815)
(Decrease) increase in cash	(220,240)	216,342
Cash, beginning of year	1,107,424	891,082
Cash, end of year	\$ 887,184	\$ 1,107,424

See accompanying notes to financial statements.

CHRISTMAS BUREAU OF EDMONTON

Notes to Financial Statements

Year ended February 28, 2018

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 raises funds for the Christmas Bureau of Edmonton 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.

Contributed materials and services are recorded at fair value when they would have otherwise been purchased and when a fair value can be reasonably estimated.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. 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.

CHRISTMAS BUREAU OF EDMONTON

Notes to Financial Statements (continued)

Year ended February 28, 2018

1. Significant accounting policies (continued):

(c) Financial instruments (continued):

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.

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, 2018

2. Gift cards and prepaid expenses:

	2018	2017
Sobeys gift cards	\$ 86,225	\$ 18,990
Walmart gift cards (Adopt-A-Teen)	103,740	78,700
Other prepaid expenses	3,347	4,122
	<u>\$ 193,312</u>	<u>\$ 101,812</u>

3. Investments:

	2018	2017
Short term:		
Guaranteed investment certificates	\$ 700,000	\$ -
Long term:		
Guaranteed investment certificates	1,000,000	-
Money market fund	-	41,264
Government and government guaranteed bonds	-	634,374
Corporate bonds	-	671,494
Servus Credit Union Ltd., shares	17,145	16,568
Accrued investment income	5,555	8,173
	<u>\$ 1,722,700</u>	<u>\$ 1,371,873</u>

The Guaranteed Investment Certificates are subject to various interest rates from 1.3% to 1.62%, with maturity dates ranging from April 2018 to November 2022.

4. Advances for tenant improvements:

The Bureau advanced \$325,000 (2017 - \$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, 2018

5. Capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 29,727	\$ 29,727	\$ -	\$ -
Computers	53,597	53,476	121	181
Computer software	14,211	14,211	-	-
Assets under capital lease	28,342	28,342	-	2,280
Client program system	90,000	54,000	36,000	45,000
	\$ 215,877	\$ 179,756	\$ 36,121	\$ 47,461

6. Deferred revenue:

	Adopt-A-Teen	Gift cards	Total 2018	Total 2017
Balance, beginning of year	\$ 756,814	\$ 18,990	\$ 775,804	\$ 855,903
Contributions received	435,536	100,000	535,536	615,783
Investment income	2,103	-	2,103	1,105
Revenue recognized for qualifying expenditures	(357,481)	(32,765)	(390,246)	(696,987)
Deferred revenue, end of year	\$ 836,972	\$ 86,225	\$ 923,197	\$ 775,804

CHRISTMAS BUREAU OF EDMONTON

Notes to Financial Statements (continued)

Year ended February 28, 2018

7. Obligations under capital lease:

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

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:

	2018	2017
Balance, beginning of year	\$ 42,500	\$ 51,000
Less amounts recognized as revenue in the year	8,500	8,500
Balance, end of year	\$ 34,000	\$ 42,500

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, 2018

9. Invested in capital assets:

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

	2018	2017
Capital assets	\$ 36,121	\$ 47,461
Amounts financed by:		
Unamortized deferred capital contributions	(34,000)	(42,500)
Obligations under capital leases	(570)	(2,850)
	\$ 1,551	\$ 2,111

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

	2018	2017
Deficiency of revenue over expenditures:		
Amortization of deferred capital contributions	\$ 8,500	\$ 8,500
Amortization of capital assets	(11,340)	(14,453)
	\$ (2,840)	\$ (5,953)
Net investment in capital assets:		
Repayment of obligations under capital leases	\$ 2,280	\$ 2,280
	\$ 2,280	\$ 2,280

CHRISTMAS BUREAU OF EDMONTON

Notes to Financial Statements (continued)

Year ended February 28, 2018

10. Investment income:

	2018	2017
Interest	\$ 24,090	\$ 7,114
Realized gains (losses) on sale of investments	(12,845)	37,927
Unrealized gains (losses) on investments	-	(7,363)
	\$ 11,245	\$ 37,678

11. Fund-raising:

	2018	2017
Advertising and promotions	\$ 45,327	\$ 30,071
Fund development	14,134	8,336
Salaries and benefits	144,070	167,924
	\$ 203,531	\$ 206,331

12. Contingent liabilities:

The Bureau has entered into a letter of credit with Servus Credit Union Inc. for \$1,078,944 and bearing interest at bank prime rate plus 2%. The letter of credit is in favor of Sobeys Inc. As at February 28, 2018 no funds have been advanced on this letter of credit.

13. 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 2017.

CHRISTMAS BUREAU OF EDMONTON

Notes to Financial Statements (continued)

Year ended February 28, 2018

13. 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.

14. 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.