

Financial Statements of

**CHRISTMAS BUREAU  
OF EDMONTON**

Year ended February 28, 2019

# CHRISTMAS BUREAU OF EDMONTON

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Year ended February 28, 2019

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## INDEPENDENT AUDITORS' REPORT

To the Directors of Christmas Bureau of Edmonton

### ***Qualified Opinion***

We have audited the financial statements of Christmas Bureau of Edmonton (the Entity), which comprise:

- the statement of financial position as at February 28, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" section of our auditors report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at February 28, 2019, 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.

### ***Basis for Qualified Opinion***

In common with many not-for-profit organizations, the Entity derives revenue from fundraising and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verifications of these revenues was limited to the amount recorded in the records of the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- current assets and unrestricted net assets reported in the statement of financial position as at February 28, 2019
- fundraising and donations revenues and deficiency of revenues over expenses reported in the statement of operations for the year ended
- deficiency of revenues over expenses reported in the statement of cash flows for the year then ended



Our opinion on the financial statements for the year ended February 28, 2019 was qualified accordingly because of the possible effects of this limitation in scope.

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 auditors' report.

We are independent of the Entity 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 the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Entity's financial reporting process.

### ***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 the 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 the Entity'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 the Entity'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 Entity 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
- 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.

*KPMG LLP*

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Chartered Professional Accountants

Edmonton, Canada

April 4, 2019

# CHRISTMAS BUREAU OF EDMONTON

## Statement of Financial Position

February 28, 2019, with comparative information for 2018

	2019	2018
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 847,735	\$ 887,184
Accounts receivable	69,907	20,631
Gift cards and prepaid expenses (note 2)	367,544	193,312
Short term investments (note 3)	1,159,500	700,000
	<u>2,444,686</u>	<u>1,801,127</u>
Investments (note 3)	784,684	1,022,700
Advances to support the Jerry Forbes Centre Foundation (note 4)	-	325,000
Capital assets (note 5)	27,060	36,121
	<u>\$ 3,256,430</u>	<u>\$ 3,184,948</u>

## Liabilities and Net Assets

<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 32,463	\$ 25,590
Deferred revenue (note 6)	1,127,498	923,197
Current portion of obligation under capital leases	-	570
	<u>1,159,961</u>	<u>949,357</u>
Unamortized deferred capital contributions (note 8)	25,500	34,000
<b>Net assets:</b>		
Invested in capital assets (note 9)	1,560	1,551
Internally restricted	250,000	-
Unrestricted	1,819,409	2,200,040
	<u>2,070,969</u>	<u>2,201,591</u>
Commitments (note 7)		
Contingent liabilities (note 13)		
	<u>\$ 3,256,430</u>	<u>\$ 3,184,948</u>

See accompanying notes to financial statements.

On behalf of the Board:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

# CHRISTMAS BUREAU OF EDMONTON

## Statement of Operations

Year ended February 28, 2019, with comparative information for 2018

	2019	2018
<b>Revenue:</b>		
Donations:		
General	\$ 1,494,300	\$ 1,389,524
Adopt-A-Teen	290,141	357,481
In-kind (note 10)	455,960	546,038
Grant revenue	23,897	21,206
Investment income (note 11)	32,881	11,245
Amortization of deferred capital contributions (note 8)	8,500	8,500
	<u>2,305,679</u>	<u>2,333,994</u>
<b>Expenditures:</b>		
Program expenditures:		
Food gift cards	721,381	876,398
Adopt-A-Teen	290,141	357,481
Fund-raising (note 12)	500,327	509,897
Hampers	118,143	129,326
Program salaries and benefits	116,039	115,831
Other expenditures:		
Salaries and benefits	160,553	141,401
Office supplies and printing	51,091	59,678
Computer maintenance	26,181	6,215
Occupancy costs	27,800	25,000
Professional fees	27,238	15,355
Bank and credit card charges	24,945	20,527
Miscellaneous	23,078	36,522
Investment management fees	11,639	7,585
Amortization of capital assets	9,060	11,340
Insurance	3,685	4,758
Distribution to support the Jerry Forbes Centre Foundation (note 4)	325,000	-
	<u>2,436,301</u>	<u>2,317,314</u>
<b>Excess of revenue over expenditures</b>	<u>\$ (130,622)</u>	<u>\$ 16,680</u>

See accompanying notes to financial statements.

# CHRISTMAS BUREAU OF EDMONTON

## Statement of Changes in Net Assets

Year ended February 28, 2019, with comparative information for 2018

	Invested in capital assets	Internally restricted	Unrestricted	Total 2019	Total 2018
Balance, beginning of year	\$ 1,551	\$ -	\$ 2,200,040	\$ 2,201,591	\$ 2,184,911
Excess of revenue over expenditures	(560)	-	(130,062)	(130,622)	16,680
Net change in invested in capital assets (note 9)	569	-	(569)	-	-
Transfers	-	250,000	(250,000)		-
Balance, end of year	\$ 1,560	\$ 250,000	\$ 1,819,409	\$ 2,070,969	\$ 2,201,591

See accompanying notes to financial statements.



# CHRISTMAS BUREAU OF EDMONTON

## Statement of Cash Flows

Year ended February 28, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenditures	\$ (130,622)	\$ 16,680
Items not involving cash:		
Amortization of capital assets	9,060	11,340
Amortization of deferred capital contributions	(8,500)	(8,500)
Change in non-cash operating working capital:		
(Increase) decrease in accounts receivable	(49,276)	51,038
Increase in gift cards and prepaid expenses	(174,232)	(91,500)
Increase in accounts payable and accrued liabilities	6,873	6,416
Increase in deferred revenue	204,301	147,393
Decrease in advances to support the Jerry Forbes Centre Foundation	325,000	-
	<u>182,604</u>	<u>132,867</u>
Financing:		
Repayment of obligations under capital lease	(569)	(2,280)
Investing:		
Purchase of investments	(1,171,484)	(1,693,287)
Sale of investments	950,000	1,342,460
	<u>(221,484)</u>	<u>(350,827)</u>
Decrease in cash	(39,449)	(220,240)
Cash, beginning of year	887,184	1,107,424
Cash, end of year	<u>\$ 847,735</u>	<u>\$ 887,184</u>

See accompanying notes to financial statements.

# CHRISTMAS BUREAU OF EDMONTON

Notes to Financial Statements

Year ended February 28, 2019

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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.

### (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, 2019

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## 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 and contributed materials:

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

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.

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

# CHRISTMAS BUREAU OF EDMONTON

Notes to Financial Statements (continued)

Year ended February 28, 2019

## 1. Significant accounting policies (continued):

### (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.

## 2. Gift cards and prepaid expenses:

	2019	2018
Sobeys gift cards	\$ 212,520	\$ 86,225
Walmart gift cards (Adopt-A-Teen)	151,300	103,740
Prepaid insurance	3,724	3,347
	<u>\$ 367,544</u>	<u>\$ 193,312</u>

## 3. Investments:

	2019	2018
Short term:		
Guaranteed investment certificates	\$ 1,159,500	\$ 700,000
Long term:		
Guaranteed investment certificates	761,550	1,000,000
Servus Credit Union Ltd., shares	17,741	17,145
Accrued investment income	5,393	5,555
	<u>\$ 1,944,184</u>	<u>\$ 1,722,700</u>

The Guaranteed Investment Certificates are subject to various interest rates from 0.60% to 1.62% (2018 - 1.30% to 1.62%), with maturity dates ranging from November 2019 to November 2022.

# CHRISTMAS BUREAU OF EDMONTON

Notes to Financial Statements (continued)

Year ended February 28, 2019

#### 4. Advances to support the Jerry Forbes Centre Foundation:

The Bureau advanced \$325,000 to support the Jerry Forbes Centre Foundation (the "Centre") in a prior year for a long term lease with completed leaseholds. During the year the Bureau moved into the Centre, and distributed the funds that had been advanced.

#### 5. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 29,727	\$ 29,727	\$ -	\$ -
Computer hardware	53,597	53,537	60	121
Computer software	14,211	14,211	-	-
Client program system	90,000	63,000	27,000	36,000
	<b>\$ 187,535</b>	<b>\$ 160,475</b>	<b>\$ 27,060</b>	<b>\$ 36,121</b>

#### 6. Deferred revenue:

			Total	Total
	Adopt-A-Teen	Gift cards	2019	2018
Balance, beginning of year	\$ 836,972	\$ 86,225	\$ 923,197	\$ 775,804
Contributions received	365,960	237,745	603,705	535,536
Investment income	2,186	-	2,186	2,103
Revenue recognized for qualifying expenditures	(290,141)	(111,449)	(401,590)	(390,246)
Deferred revenue, end of year	<b>\$ 914,977</b>	<b>\$ 212,521</b>	<b>\$ 1,127,498</b>	<b>\$ 923,197</b>

# CHRISTMAS BUREAU OF EDMONTON

Notes to Financial Statements (continued)

Year ended February 28, 2019

## 7. Commitments:

As part of its lease with the Jerry Forbes Centre (note 4), the Bureau has committed to the payment of operating costs over the five year term ending October 31, 2023, estimated at \$46,475 per year.

The Bureau has also entered into a five year operating lease for certain equipment. Minimum lease payments over the term of the agreement are as follows:

2020		\$	3,270
2021			3,270
2022			3,270
2023			3,270
2024			1,635
		\$	14,715

## 8. Unamortized deferred capital contributions:

Changes in unamortized deferred capital contributions are as follows:

	2019		2018	
Balance, beginning of year	\$	34,000	\$	42,500
Less amounts recognized as revenue in the year		8,500		8,500
Balance, end of year	\$	25,500	\$	34,000

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, 2019

## 9. Invested in capital assets:

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

	2019	2018
Capital assets	\$ 27,060	\$ 36,121
Amounts financed by:		
Unamortized deferred capital contributions	(25,500)	(34,000)
Obligations under capital leases	-	(570)
	\$ 1,560	\$ 1,551

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

	2019	2018
Deficiency of revenue over expenditures:		
Amortization of deferred capital contributions	\$ 8,500	\$ 8,500
Amortization of capital assets	(9,060)	(11,340)
	\$ (560)	\$ (2,840)
Net investment in capital assets:		
Repayment of obligations under capital leases	\$ 569	\$ 2,280
	\$ 569	\$ 2,280

# CHRISTMAS BUREAU OF EDMONTON

Notes to Financial Statements (continued)

Year ended February 28, 2019

## 10. In-kind:

In-kind donations include any type of donations received that are non-monetary in nature. In-kind is made up of the following:

	2019	2018
Advertising and promotion	\$ 235,991	\$ 295,240
Gift cards	182,620	198,816
Occupancy	25,000	25,000
Campaign	8,186	11,126
Volunteers	3,045	13,920
Fundraising	535	-
Program	450	1,936
Other	133	-
	\$ 455,960	\$ 546,038

## 11. Investment income:

	2019	2018
Interest	\$ 32,881	\$ 24,090
Realized gains (losses) on sale of investments	-	(12,845)
	\$ 32,881	\$ 11,245

## 12. Fund-raising:

	2019	2018
Advertising and promotion	\$ 268,947	\$ 340,567
Fund development	56,699	25,260
Salaries and benefits	174,681	144,070
	\$ 500,327	\$ 509,897

Included in advertising and promotion expense are in-kind donations detailed in note 10.



# CHRISTMAS BUREAU OF EDMONTON

Notes to Financial Statements (continued)

Year ended February 28, 2019

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## 13. Contingent liabilities:

The Bureau has entered into a letter of credit with Servus Credit Union Inc. for \$1,251,300 and bearing interest at bank prime rate plus 2%. The letter of credit is in favour of Sobeys Inc. As at February 28, 2019, no funds have been advanced on this letter of credit.

## 14. 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 2018.

### (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.

## 15. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The February 28, 2018 financial information has been adjusted to increase both revenue and expenses by \$322,222 related to in-kind donations. The changes do not affect prior year earnings.