

Financial Statements of

**CHRISTMAS BUREAU
OF EDMONTON**

Year ended February 29, 2020

CHRISTMAS BUREAU OF EDMONTON

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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 29, 2020
- 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 29, 2020, 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 29, 2020
- fundraising and donations revenues and excess of revenues over expenses reported in the statement of operations for the year ended
- excess of revenues over expenses reported in the statement of cash flows for the year then ended



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Our opinion on the financial statements for the year ended February 29, 2020 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.

Emphasis of Matter - Restatement of Financial Statements

We draw attention to Note 13 of the financial statements, which describes that certain comparative information presented for the year ended February 28, 2019 has been restated, and the matter that gave rise to the restatement of the financial statements.

Our opinion is not modified in respect to this matter.

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.



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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

Chartered Professional Accountants

Edmonton, Canada

June 4, 2020

CHRISTMAS BUREAU OF EDMONTON

Statement of Financial Position

February 29, 2020, with comparative information for 2019

	2020	2019
		(As restated (note 13))
Assets		
Current assets:		
Cash	\$ 594,208	\$ 847,735
Accounts receivable	114,737	69,907
Gift cards and prepaid expenses (note 2)	91,335	367,544
Short term investments (note 3)	1,057,328	1,159,500
	<u>1,857,608</u>	<u>2,444,686</u>
Investments (note 3)	1,464,403	784,684
Capital assets (note 4)	24,488	27,060
	<u>\$ 3,346,499</u>	<u>\$ 3,256,430</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 47,633	\$ 32,463
Deferred revenue (note 5)	859,162	1,014,977
	<u>906,795</u>	<u>1,047,440</u>
Unamortized deferred capital contributions (note 6)	17,000	25,500
Net assets:		
Invested in capital assets (note 7)	7,488	1,560
Internally restricted	750,000	250,000
Unrestricted	1,665,216	1,931,930
	<u>2,422,704</u>	<u>2,183,490</u>
Commitments (note 8)		
Contingent liabilities (note 9)		
	<u>\$ 3,346,499</u>	<u>\$ 3,256,430</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

CHRISTMAS BUREAU OF EDMONTON

Statement of Operations

Year ended February 29, 2020, with comparative information for 2019

	2020	2019
		As restated (note 13)
Revenue:		
General donations	\$ 1,758,698	\$ 1,718,819
In-kind donations (note 10)	575,021	542,185
Investment income	45,766	32,881
Grants	17,500	23,897
Amortization of deferred capital contributions (note 6)	8,500	8,500
Other	-	65,622
	<u>2,405,485</u>	<u>2,391,904</u>
Expenditures:		
Charitable program	1,135,722	1,217,629
Fund-raising (note 11)	633,690	500,327
Management and administration	152,505	165,531
Occupancy	50,184	27,800
Office supplies and communication	43,894	51,089
Miscellaneous	43,429	23,078
Bank charges	37,818	36,585
Professional fees	33,254	33,619
Computer maintenance	21,075	16,601
Amortization	10,622	9,060
Insurance	4,078	3,685
Distribution to support the Jerry Forbes Centre Foundation	-	325,000
	<u>2,166,271</u>	<u>2,410,004</u>
Excess (deficiency) of revenue over expenditures	\$ 239,214	\$ (18,100)

See accompanying notes to financial statements.

CHRISTMAS BUREAU OF EDMONTON

Statement of Changes in Net Assets

Year ended February 29, 2020, with comparative information for 2019

	Invested in capital assets	Internally restricted	Unrestricted	Total 2020	Total 2019 As restated (note 13)
Balance, beginning of year	\$ 1,560	\$ 250,000	\$ 1,931,930	\$ 2,183,490	\$ 2,201,590
Excess (deficiency) of revenue over expenditures	(2,122)	-	241,336	239,214	(18,100)
Purchase of capital assets, net (note 7)	8,050	-	(8,050)	-	-
Transfers	-	500,000	(500,000)	-	-
Balance, end of year	\$ 7,488	\$ 750,000	\$ 1,665,216	\$ 2,422,704	\$ 2,183,490

See accompanying notes to financial statements.

CHRISTMAS BUREAU OF EDMONTON

Statement of Cash Flows

Year ended February 29, 2020, with comparative information for 2019

	2020	2019
		As restated (note 13)
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenditures	\$ 239,214	\$ (18,100)
Items not involving cash:		
Amortization of capital assets	10,622	9,060
Amortization of deferred capital contributions	(8,500)	(8,500)
Change in non-cash operating working capital:		
Increase in accounts receivable	(44,830)	(49,276)
(Increase) decrease in gift cards and prepaid expenses	276,209	(174,232)
Increase in accounts payable and accrued liabilities	15,169	6,872
Increase (decrease) in deferred revenue	(155,815)	91,780
Decrease in advances to support the Jerry Forbes Centre Foundation	-	325,000
	<u>332,069</u>	<u>182,604</u>
Financing:		
Repayment of obligations under capital lease	-	(569)
Investing:		
Purchase of investments	(1,737,046)	(1,171,484)
Sale of investments	1,159,500	950,000
Purchase of capital assets	(8,050)	-
	<u>(585,596)</u>	<u>(221,484)</u>
Decrease in cash	(253,527)	(39,449)
Cash, beginning of year	847,735	887,184
Cash, end of year	<u>\$ 594,208</u>	<u>\$ 847,735</u>

See accompanying notes to financial statements.

CHRISTMAS BUREAU OF EDMONTON

Notes to Financial Statements

Year ended February 29, 2020

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 29, 2020

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 29, 2020

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.

(g) Capital management:

The Bureau's objectives when managing capital are to safeguard the Bureau's ability to continue as a going concern and so it can continue to provide services to the community at large.

The Bureau sets the sufficiency of capital to maintain the capital assets required to meet the service needs of the stakeholders and makes adjustments to its capital, through appropriation from unrestricted net assets to respond to potential changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, management looks forward to future needs and will recommend appropriation of additional unrestricted amounts to secure capital appropriations.

The Bureau maintains unrestricted net assets to meet those potential appropriations noted above and to ensure there are sufficient funds, defined as twelve months of operating expenditures, available to the Bureau to provide time to respond to changes in economic circumstances.

2. Gift cards and prepaid expenses:

	2020	2019
Sobeys gift cards	\$ 38,745	\$ 212,520
Walmart gift cards (Adopt-A-Teen)	48,700	151,300
Prepaid insurance	3,890	3,724
	<u>\$ 91,335</u>	<u>\$ 367,544</u>

CHRISTMAS BUREAU OF EDMONTON

Notes to Financial Statements (continued)

Year ended February 29, 2020

3. Investments:

	2020	2019
Short term:		
Guaranteed investment certificates	\$ 1,057,303	\$ 1,159,500
Servus Patronage Rewards	25	-
	1,057,328	1,159,500
Long term:		
Guaranteed investment certificates	1,426,346	761,550
Servus Credit Union Ltd., shares	18,387	17,741
Accrued investment income	19,670	5,393
	\$ 2,521,731	\$ 1,944,184

The Guaranteed Investment Certificates are subject to various interest rates from 1.45% to 2.28% (2019 - 0.60% to 1.62%), with maturity dates ranging from November 2020 to July 2021

4. Capital assets:

	2020		2019	
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	\$ 13,505	\$ 13,505	\$ -	\$ -
Computer hardware	9,566	3,078	6,488	60
Client program system	90,000	72,000	18,000	27,000
	\$ 113,071	\$ 88,583	\$ 24,488	\$ 27,060

CHRISTMAS BUREAU OF EDMONTON

Notes to Financial Statements (continued)

Year ended February 29, 2020

5. Deferred revenue:

	Adopt-A-Teen	Gift cards	Total 2020	Total 2019 As restated (note 13)
Balance, beginning of year	\$ 914,977	\$ 100,000	\$ 1,014,977	\$ 923,197
Contributions received	322,415	-	322,415	577,409
Investment income	-	-	-	2,186
Revenue recognized for qualifying expenditures	(378,230)	(100,000)	(478,230)	(487,815)
Deferred revenue, end of year	\$ 859,162	\$ -	\$ 859,162	\$ 1,014,977

6. Unamortized deferred capital contributions:

Changes in unamortized deferred capital contributions are as follows:

	2020	2019
Balance, beginning of year	\$ 25,500	\$ 34,000
Less amounts recognized as revenue in the year	8,500	8,500
Balance, end of year	\$ 17,000	\$ 25,500

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 29, 2020

7. Invested in capital assets:

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

	2020	2019
Capital assets	\$ 24,488	\$ 27,060
Amounts financed by:		
Unamortized deferred capital contributions	(17,000)	(25,500)
	\$ 7,488	\$ 1,560

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

	2020	2019
Deficiency of revenue over expenditures:		
Amortization of deferred capital contributions	\$ 8,500	\$ 8,500
Amortization of capital assets	(10,622)	(9,060)
	\$ (2,122)	\$ (560)
Net investment in capital assets:		
Purchase of capital assets	\$ 8,110	\$ -
Loss on disposal	(60)	-
Repayment of obligations under capital leases	-	569
	8,050	569
	\$ 8,050	\$ 569

CHRISTMAS BUREAU OF EDMONTON

Notes to Financial Statements (continued)

Year ended February 29, 2020

8. Commitments:

As part of its lease with the Jerry Forbes Centre, 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:

2021	\$	3,270
2022		3,270
2023		3,270
2024		1,635
	\$	11,445

9. 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 29, 2020, no funds have been advanced on this letter of credit.

10. In-kind donations:

In-kind donations include the following items:

	2020	2019
Advertising and promotion	\$ 296,673	\$ 235,991
Gift cards	218,029	268,845
Occupancy	14,583	25,000
Campaign	27,590	8,186
Volunteers	-	3,045
Fundraising	18,096	535
Program	-	450
Other	50	133
	\$ 575,021	\$ 542,185

CHRISTMAS BUREAU OF EDMONTON

Notes to Financial Statements (continued)

Year ended February 29, 2020

11. Fund-raising:

	2020	2019
Advertising and promotion	\$ 392,960	\$ 268,947
Fund development	74,426	56,699
Salaries and benefits	166,304	174,681
	\$ 633,690	\$ 500,327

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 2019.

(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.

CHRISTMAS BUREAU OF EDMONTON

Notes to Financial Statements (continued)

Year ended February 29, 2020

13. Restatement:

The February 28, 2019 financial statements have been restated to decrease deferred revenue, increase in-kind donation revenue and decrease gift card expense as a result of an error in the assessment of external restrictions pertaining to certain revenue sources. The impact of this correction has been recorded retrospectively and the cumulative effect has been recorded as a \$112,521 increase to unrestricted net assets.

	Increase (Decrease)
Statement of Financial Position:	
Deferred revenue	\$ (112,521)
Unrestricted net assets	112,521
Statement of Operations:	
In-kind donation revenue	86,225
Food gift card program expenditures	(26,296)

14. Subsequent events:

Subsequent to February 29, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At the time of approval of these financial statements, the Bureau has closed its office and has required its staff and volunteers to work remotely. There is uncertainty over future cash flows and the manner in which the Bureau's programs may be delivered in the future, however an estimate of the financial effect is not practicable at this time.

15. 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.