

**CHED SANTAS ANONYMOUS
INCORPORATED**

**EDMONTON, ALBERTA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**



INDEPENDENT AUDITORS' REPORT

To the Board of CHED Santas Anonymous Incorporated

Qualified Opinion

We have audited the financial statements of CHED Santas Anonymous Incorporated (the "Organization"), which comprise the statement of financial position as at June 30, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2019, and the results of its 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 Organization derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, deficiency of revenues over expenses, and cash flows from operations for the year ended June 30, 2019, current assets and net assets as at June 30, 2019. Our audit opinion on the financial statements for the year ended June 30, 2018 was modified accordingly because of the possible effects of this limitation of 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 report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit 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 Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

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Auditor's Responsibility 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 it 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 the Organization's internal control.
- Evaluate the appropriateness of accounting policies 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 Organization'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 Organization 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.

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.

METRIX GROUP LLP

Chartered Professional Accountants

September 24, 2019
Edmonton, Alberta

CHED SANTAS ANONYMOUS INCORPORATED

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents (Note 3)	\$ 916,572	\$ 1,029,295
Accrued interest	1,960	1,833
Accounts receivable	8,898	9,040
Goods and Services Tax receivable	5,676	4,159
Prepaid expenses	<u>5,784</u>	<u>5,968</u>
	938,890	1,050,295
Tangible Capital Assets (Note 4)	<u>29,562</u>	<u>-</u>
	<u>\$ 968,452</u>	<u>\$ 1,050,295</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 41,829	\$ 14,277
Employee deductions payable	4,202	-
Vacation payable	13,982	-
Deferred contributions (Note 5)	<u>-</u>	<u>36,369</u>
	<u>60,013</u>	<u>50,646</u>
Net Assets		
Internally restricted (Note 6)	177,684	300,000
Unrestricted	701,193	699,649
Invested in tangible capital assets	<u>29,562</u>	<u>-</u>
	<u>908,439</u>	<u>999,649</u>
	<u>\$ 968,452</u>	<u>\$ 1,050,295</u>

APPROVED ON BEHALF OF THE BOARD:

_____ Director

_____ Director

The accompanying notes are an integral part of these financial statements.

CHED SANTAS ANONYMOUS INCORPORATED

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>
Revenue		
Donations	\$ 575,216	\$ 567,578
Casino	36,369	36,402
Grants	16,500	16,500
Interest	15,785	10,059
Endowment	<u>4,540</u>	<u>4,392</u>
	<u>648,410</u>	<u>634,931</u>
Expenses		
Warehousing costs	285,138	238,244
Salaries, wages and benefits	231,162	183,236
Toy purchases and supplies	105,422	154,793
Office	51,333	66,184
Endowment	25,085	9,450
Professional fees	13,002	17,788
Advertising and event promotions	9,608	5,901
Board and volunteer	7,743	7,947
Insurance	5,717	5,552
Fundraising	4,391	7,859
Amortization	1,019	-
Donor expenses/recognition	<u>-</u>	<u>512</u>
	<u>739,620</u>	<u>697,466</u>
Deficiency of Revenue over Expenses	<u>\$ (91,210)</u>	<u>\$ (62,535)</u>

CHED SANTAS ANONYMOUS INCORPORATED

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2019

	Invested in Tangible Capital Assets	Unrestricted	Internally Restricted	<u>2019</u> Total	<u>2018</u> Total
Balance, Beginning of Year	\$ -	\$ 699,649	\$ 300,000	\$ 999,649	\$ 1,062,184
Deficiency of Revenue over Expenses	(1,019)	1,544	(91,735)	(91,210)	(62,535)
Purchase of Tangible Capital Assets	<u>30,581</u>	<u>-</u>	<u>(30,581)</u>	<u>-</u>	<u>-</u>
Balance, End of Year	\$ <u>29,562</u>	\$ <u>701,193</u>	\$ <u>177,684</u>	\$ <u>908,439</u>	\$ <u>999,649</u>

CHED SANTAS ANONYMOUS INCORPORATED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>
Operating Activities		
Cash and cash equivalents from operations		
Deficiency of revenue over expenses	\$ (91,210)	\$ (62,535)
Items not affecting cash and cash equivalents:		
Amortization	<u>1,019</u>	<u>-</u>
	(90,191)	(62,535)
Change in non-cash working capital:		
Accrued interest	(127)	(755)
Accounts receivable	142	527
Goods and Services Tax receivable	(1,517)	(1,246)
Prepaid expenses	184	(416)
Accounts payable and accrued liabilities	27,552	(306)
Employee deductions payable	4,202	(2,731)
Vacation payable	13,982	-
Deferred contributions	<u>(36,369)</u>	<u>36,369</u>
	<u>(82,142)</u>	<u>(31,093)</u>
Investing Activities		
Purchase of tangible capital assets	<u>(30,581)</u>	<u>-</u>
Change in Cash and Cash Equivalents During the Year	(112,723)	(31,093)
Cash and Cash Equivalents, Beginning of Year	<u>1,029,295</u>	<u>1,060,388</u>
Cash and Cash Equivalents, End of Year	<u>\$ 916,572</u>	<u>\$ 1,029,295</u>

CHED SANTAS ANONYMOUS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

1. NATURE OF OPERATIONS

The Organization was established to provide Christmas gifts to less fortunate children and was incorporated under the *Companies Act* of Alberta on September 6, 2005 and is a registered charity under the *Income Tax Act*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue Recognition

The Organization 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 Organization records donations on a cash basis. No amount for pledges has been recorded in these financial statements.

Interest income is recognized as revenue when earned.

Cash and Cash Equivalents

Cash and cash equivalents includes operating accounts and a guaranteed investment certificate that matures within one year. All amounts are readily converted into known amounts of cash and are subject to an insignificant change in value.

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Contributed tangible capital assets are recorded at fair value at the date of contribution. When a tangible capital asset no longer contributes to the Organization's ability to provide services or the value of future economic benefits associated with the tangible capital asset is less than its net book value, the carrying value of the tangible capital asset is reduced to reflect the decline in the asset's value. Any net write-downs are accounted for as expenses in the statement of operations.

Tangible capital assets are amortized over their estimated useful lives at the following rates and methods:

Equipment	15 years	Straight-line basis
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Contributed Services

Volunteer services and toys are donated throughout the year to assist the Organization in carrying out its activities. Due to the difficulty of determining their fair value, contributed services and toys are not recorded in the financial statements.

Measurement Uncertainty

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities, the 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. All estimates are reviewed periodically and adjustments are made to the statements of operations as appropriate in the year they become known.

CHED SANTAS ANONYMOUS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments

Measurement of financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value and subsequently measures all financial assets and financial liabilities at amortized cost.

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

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

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 the statement of operations. 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 the statement of operations.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include one guaranteed investment certificate for \$542,084 (2018 - \$530,935) earning interest at a rate of 2.2%, maturing in May 2020.

Cash and cash equivalents also includes restricted funds of \$nil (2018 - \$36,369). These funds are derived from the Organization's casino activities which are restricted in their use, subject to the terms and conditions of the Organization's casino license.

4. TANGIBLE CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2019</u>	<u>2019</u>
Equipment	\$ <u>30,581</u>	\$ <u>1,019</u>	\$ <u>29,562</u>	\$ <u>-</u>

CHED SANTAS ANONYMOUS INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

5. DEFERRED CONTRIBUTIONS

Deferred contributions represent restricted operating and capital funding received or receivable in the current year for which the corresponding expenses have not yet been incurred. Changes in the deferred contributions balance are as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 36,369	\$ -
Casino proceeds received in the year	-	72,738
Amounts recognized as revenue in the year	<u>(36,369)</u>	<u>(36,369)</u>
Balance, end of year	\$ <u>-</u>	\$ <u>36,369</u>
Deferred Contributions Consist of:		
Casino funding	\$ <u>-</u>	\$ <u>36,369</u>

6. INTERNALLY RESTRICTED NET ASSETS

	<u>2019</u>	<u>2018</u>
Toy purchases	\$ 150,000	\$ 150,000
Office relocation	<u>27,684</u>	<u>150,000</u>
	\$ <u>177,684</u>	\$ <u>300,000</u>

7. FINANCIAL INSTRUMENTS

It is management's opinion that the Organization is not exposed to significant credit, liquidity, market, currency, interest rate or other price risk through its financial instruments which include cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities.

8. COMMITMENTS

The Organization leases warehouse and office space with annual operating cost payments of approximately \$207,000. The current lease expires on August 31, 2038.