

**EDMONTON FEDERATION OF
COMMUNITY LEAGUES**
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

DRAFT

INDEPENDENT AUDITORS' REPORT

To the Board of Edmonton Federation of Community Leagues

Opinion

We have audited the financial statements of the Edmonton Federation of Community Leagues (the "Organization"), which comprise the statement of financial position as at December 31, 2020, 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, the financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2020, and the results of its operations and the changes in its net assets and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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 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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Auditors' 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

Edmonton, Alberta
June 2, 2021

EDMONTON FEDERATION OF COMMUNITY LEAGUES

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and cash equivalents (Note 3)	\$ 399,537	\$ 2,163,187
Accounts receivable	336,708	802,207
Goods and Services Tax receivable	99,912	34,362
Prepaid expenses	<u>3,147</u>	<u>2,241</u>
	839,304	3,001,997
Tangible Capital Assets (Note 4)	<u>92,813</u>	<u>110,618</u>
	<u>\$ 932,117</u>	<u>\$ 3,112,615</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 118,224	\$ 804,542
Wages and vacation payable	27,401	51,288
Deferred Contributions - Operating (Note 5)	<u>320,374</u>	<u>1,878,146</u>
	465,999	2,733,976
Net Assets		
Unrestricted	173,305	68,021
Internally restricted (Note 6)	200,000	200,000
Invested in tangible capital assets	<u>92,813</u>	<u>110,618</u>
	<u>466,118</u>	<u>378,639</u>
	<u>\$ 932,117</u>	<u>\$ 3,112,615</u>

APPROVED ON BEHALF OF THE BOARD:

_____ Director

_____ Director

EDMONTON FEDERATION OF COMMUNITY LEAGUES

STATEMENT OF REVENUES AND EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
Revenue		
Grants	\$ 3,331,194	\$ 1,738,738
Canada Emergency Wage Subsidy	289,427	-
Membership dues	99,829	98,220
Online sales and fees	55,574	66,143
Recoveries	36,263	60,027
Interest	14,237	35,961
Sponsorships	<u>11,239</u>	<u>41,521</u>
	<u>3,837,763</u>	<u>2,040,610</u>
Expenses		
Programs	2,487,835	1,119,951
Salaries and benefits	941,886	739,847
Office and building operations	137,472	100,694
Governance	77,788	26,390
Community League services	42,070	71,128
Amortization	40,082	30,085
Professional fees	<u>23,151</u>	<u>12,513</u>
	<u>3,750,284</u>	<u>2,100,608</u>
Excess (Deficiency) of Revenue Over Expenses from Operations	87,479	(59,998)
Other		
Gain (loss) on disposal of capital assets	<u>-</u>	<u>(4,311)</u>
Excess (Deficiency) of Revenue over Expenses	\$ <u>87,479</u>	\$ <u>(64,309)</u>

EDMONTON FEDERATION OF COMMUNITY LEAGUES

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2020

	Invested in Tangible Capital Assets	Internally Restricted	Unrestricted	<u>2020</u> Total	<u>2019</u> Total
Balance, Beginning of Year	\$ 110,618	\$ 200,000	\$ 68,021	\$ 378,639	\$ 442,948
Excess (Deficiency) of Revenue over Expenses	(40,082)	-	127,561	87,479	(64,309)
Tangible Capital Asset Purchases	<u>22,277</u>	<u>-</u>	<u>(22,277)</u>	<u>-</u>	<u>-</u>
Balance, End of Year	\$ <u>92,813</u>	\$ <u>200,000</u>	\$ <u>173,305</u>	\$ <u>466,118</u>	\$ <u>378,639</u>

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EDMONTON FEDERATION OF COMMUNITY LEAGUES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
Operating Activities		
Excess (deficiency) of revenue over expenses	\$ 87,479	\$ (64,309)
Items not affecting cash and cash equivalents:		
Amortization of tangible capital assets	40,082	30,085
Amortization of deferred contributions related to tangible capital assets	-	(1,873)
Loss on disposal of tangible capital assets	<u>-</u>	<u>4,311</u>
	127,561	(31,786)
Change in non-cash working capital:		
Accounts receivable	465,499	(752,794)
Goods and Services Tax receivable	(65,550)	(29,496)
Prepaid expenses	(906)	33
Accounts payable and accrued liabilities	(686,318)	691,230
Wages and vacation payable	(23,887)	15,913
Deferred contributions - operating	<u>(1,557,772)</u>	<u>770,076</u>
	(1,741,373)	663,176
Investing Activities		
Purchase of tangible capital assets	<u>(22,277)</u>	<u>(82,537)</u>
Change in cash and cash equivalents during the year	(1,763,650)	580,639
Cash and cash equivalents, beginning of year	<u>2,163,187</u>	<u>1,582,548</u>
Cash and cash equivalents, end of year	\$ <u>399,537</u>	\$ <u>2,163,187</u>

EDMONTON FEDERATION OF COMMUNITY LEAGUES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. NATURE OF ORGANIZATION

The Edmonton Federation of Community Leagues (the "Federation") was established in 1921 and, as a non-profit organization, is exempt from income taxes. The Federation exists to continually improve the efficiency and effectiveness of member organizations in their effort to deliver community programs, by providing leadership as well as operational and administrative support.

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.

Cash and cash equivalents

Cash includes chequing and savings accounts, guaranteed investment certificates and petty cash amounts that 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. Amortization is provided over the estimated useful lives of the assets at the following methods and rates:

Office equipment	20%	Declining balance method
Computer equipment	30%	Declining balance method
Computer software	100%	Declining balance method
Leasehold improvements	10 years	Straight-line method
Website	3 years	Straight-line method

Revenue Recognition

The Federation follows the deferral method of accounting for contributions, which include donations, casino funds and government grants. Restricted contributions are recognized as revenue during 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.

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.

Membership dues are recognized as revenue in the year to which they relate.

Investment income is recognized as revenue when earned.

Contributed Services

The Federation is dependent on the voluntary services of many individuals. The value of these donated services is not recognized in the financial statements due to the difficulty of determining their fair value.

EDMONTON FEDERATION OF COMMUNITY LEAGUES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Significant areas requiring the use of management's estimates include the useful lives of tangible capital assets and the corresponding rates of amortization. All estimates are reviewed periodically and adjustments are made to the statement of revenues and expenditures as appropriate in the year they become known.

Financial Instruments

Measurement of financial instruments

The Federation 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 revenues and expenditures. 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 revenues and expenditures.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents received from casino, government grant funding and members totaling \$320,374 (2019 - \$1,878,146) are restricted for use in accordance with the terms of the related agreements.

4. TANGIBLE CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 216,645	\$ 193,401	\$ 23,244	\$ 32,304
Office equipment	48,013	29,769	18,244	21,853
Computer equipment	39,987	15,805	24,182	27,537
Website	224,708	197,565	27,143	21,140
Computer software	<u>16,482</u>	<u>16,482</u>	<u>-</u>	<u>7,784</u>
	<u>\$ 545,835</u>	<u>\$ 453,022</u>	<u>\$ 92,813</u>	<u>\$ 110,618</u>

EDMONTON FEDERATION OF COMMUNITY LEAGUES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

5. DEFERRED CONTRIBUTIONS - OPERATING

Deferred contributions represent restricted operating 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>	Contributions received during year	Amounts recognized as revenue	<u>2020</u>
100th Anniversary program	\$ 1,552,667	\$ 891,314	\$(2,333,449)	\$ 110,532
Rink Roof program	72,673	-	-	72,673
Membership dues	66,267	99,755	(99,519)	66,503
Green League program	67,670	80,000	(97,292)	50,378
Casino	57,516	223	(47,303)	10,436
Service innovation grant	-	145,000	(136,760)	8,240
Seniors walking program	3,884	-	(2,272)	1,612
Multiculturalism program	<u>57,469</u>	<u>11,332</u>	<u>(68,801)</u>	<u>-</u>
	<u>\$ 1,878,146</u>	<u>\$ 1,227,624</u>	<u>\$(2,785,396)</u>	<u>\$ 320,374</u>

6. INTERNALLY RESTRICTED NET ASSETS

	<u>2020</u>	<u>2019</u>
Financial stabilization reserve fund	\$ 100,000	\$ 100,000
100th anniversary project bridge financing	<u>100,000</u>	<u>100,000</u>
	<u>\$ 200,000</u>	<u>\$ 200,000</u>

The financial stabilization reserve fund was established to provide for emergent, unforeseen expenses such as lawsuits, delays in grant funding, computer system breakdowns or forced office relocation.

7. FINANCIAL INSTRUMENTS

It is management's opinion that the Federation 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. UNCERTAINTY DUE TO COVID-19

On March 17, 2020, the Government of Alberta declared a public health emergency in response to the COVID-19 pandemic. The measures implemented to combat the spread of the virus have had an impact on the Federation; however, an estimate of the financial impact cannot be made at this time.

The Federation is closely monitoring the recommendations from public health agencies and government authorities while implementing its operational plan to reduce any adverse financial impact and continue operations