The Pride Centre of Edmonton

Financial Statements

Year Ended December 31, 2019

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Independent Auditor's Report

To the Members of The Pride Centre of Edmonton

Qualified Opinion

We have audited the financial statements of The Pride Centre of Edmonton (the Centre), which comprise the statement of financial position as at December 31, 2019, and the statements of revenues and expenditures, 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 Centre as at December 31, 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 Centre derives revenue from fundraising activities 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 Centre. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess (deficiency) of revenues over expenditures, and cash flows from operations for the year ended December 31, 2019, current assets and net assets as at December 31, 2019. Our audit opinion on the financial statements for the year ended December 31, 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Centre 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 those requirements. We believe that 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 Centre'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 Centre or to cease operations, or has no realistic alternative but to do so.

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

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Auditor's 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 auditor's 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 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 Centre'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 Centre's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Centre 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.

Mowbray Gil LLP

Edmonton, Alberta
March 31, 2020

CHARTERED PROFESSIONAL ACCOUNTANTS

The Pride Centre of Edmonton
Statement of Financial Position
December 31, 2019

		2019		2018
Assets				
Current				
Cash	**$**	**189,626**	$	337,789
Accounts receivable		**3,000**		755
Goods and services tax recoverable		**1,827**		3,399
Prepaid expenses		**5,168**		8,277
		199,621		350,220
Property and equipment *(Note 3)*		**240,535**		269,075
Intangible asset *(Note 4)*		**12,146**		3,895
Lease deposit		**10,397**		10,397
	$	**462,699**	$	633,587
Liabilities and net assets				
Current				
Accounts payable and accrued liabilities *(Note 5)*	**$**	**32,512**	$	31,670
Deferred revenue *(Note 6)*		**215,493**		276,516
		248,005		308,186
Deferred contributions for leasehold improvements *(Note 7)*		**100,713**		115,098
		348,718		423,284
Net assets				
Operating fund		**93,981**		190,303
Internally restricted		**20,000**		20,000
		113,981		210,303
	$	**462,699**	$	633,587

ON BEHALF OF THE BOARD

Jamie Zaun
_______________________ *Director* Apr 1, 2020

Sean Malden (Apr 1, 2020)
_______________________ *Director* Apr 1, 2020

The Pride Centre of Edmonton

Statement of Revenues and Expenditures

For the Year Ended December 31, 2019

		2019		2018
Revenues				
Grants and casino	**$**	**296,302**	$	371,485
Donations		**90,707**		85,698
FCSS Revenues and Expenditures *(Schedule 1)*		**87,049**		87,049
Events		**35,121**		17,635
Fundraising		**18,963**		15,117
Deferred contributions for leasehold improvements *(Note 7)*		**14,385**		14,385
Sublease		**4,135**		6,382
Membership dues		**965**		1,345
Interest		**478**		503
		548,105		599,599
Direct program costs				
Programming		**221,976**		240,432
FCSS Revenues and Expenditures *(Schedule 1)*		**87,049**		90,007
Events		**31,332**		6,283
Fundraising		**-**		280
		340,357		337,002
Excess of revenues over direct program costs		**207,748**		262,597
General and administrative expenses				
Office		**90,616**		57,095
Occupancy costs		**87,810**		89,945
Professional fees		**47,440**		45,740
Utilities		**14,661**		13,051
Maintenance		**9,490**		10,054
Insurance		**4,292**		4,161
Advertising and promotion		**4,096**		10,374
Travel		**3,576**		7,455
Professional development		**2,120**		2,032
Interest and bank charges		**1,863**		1,266
Amortization of intangible asset		**3,280**		974
Amortization of property and equipment		**34,826**		34,167
		304,070		276,314
Excess (deficiency) of revenues over expenditures for the year	**$**	**(96,322)**	$	(13,717)

The Pride Centre of Edmonton
Statement of Changes in Net Assets
For the Year Ended December 31, 2019

	Operating Fund	Internally Restricted	**2019**	2018
Net assets - beginning of year	$ 190,303	$ 20,000	**$ 210,303**	$ 224,020
Excess (deficiency) of revenues over expenditures for the year	(96,322)	-	**(96,322)**	(13,717)
Net assets - end of year	$ 93,981	$ 20,000	**$ 113,981**	$ 210,303

The Pride Centre of Edmonton
Statement of Cash Flows
For the Year Ended December 31, 2019

	2019	2018
Operating activities		
Excess (deficiency) of revenues over expenditures for the year	$ **(96,322)**	$ (13,717)
Items not affecting cash:		
Amortization of property and equipment	**34,826**	34,167
Amortization of intangible asset	**3,280**	974
Amortization of deferred contributions for leasehold improvements	**(14,385)**	(14,385)
	(72,601)	7,039
Changes in non-cash working capital:		
Accounts receivable	**(2,245)**	29,742
Goods and services tax recoverable	**1,572**	6,143
Prepaid expenses	**3,109**	(4,264)
Accounts payable and accrued liabilities	**842**	5,283
Deferred revenue	**(61,023)**	(35,475)
	(57,745)	1,429
	(130,346)	8,468
Investing activities		
Purchase of property and equipment	**(6,286)**	(17,613)
Purchase of intangible asset	**(11,531)**	(4,869)
	(17,817)	(22,482)
Financing activity		
Repayment of callable debt	**-**	(65,139)
Decrease in cash flow	**(148,163)**	(79,153)
Cash - beginning of year	**337,789**	416,942
Cash - end of year	$ **189,626**	$ 337,789

1. **Description of operations**

The Pride Centre of Edmonton ("the Centre") is a non-profit society incorporated in the Province of Alberta. The Centre is a registered charity under the Income Tax Act, Canada and is exempt for income tax purposes.

The Centre operates to enrich and improve the lives of LGBTQ people, their allies, and the broader community in the Greater Edmonton area. The Centre provides resources, social and wellness supports, public education, leadership opportunities, referrals, and a safe, welcoming space through its programs and partnerships.

2. **Summary of significant accounting policies**

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The precise determination of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements for a period involves the use of estimates and approximations which have been made using careful judgment. The significant areas requiring management estimate include the allowance for doubtful accounts, the estimated useful lives of property, equipment, and the estimated useful life of the intangible asset. Actual results could differ from those estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized as follows:

Cash

Cash consists of demand deposits held with a financial institution.

Property and equipment

Property and equipment is stated at cost less accumulated amortization. Property and equipment is amortized over its estimated useful life at the following rates and methods:

Leasehold improvements	10 years	straight-line method
Computer equipment	30%	declining balance method
Furniture and fixtures	20%	declining balance method

The Centre regularly reviews its property and equipment to eliminate obsolete items.

Intangible asset

The intangible asset represents the cost of developing a website. The website cost is recorded at cost and amortized on a straight-line basis over five years, which is the estimated useful life of the website. The remaining carrying value is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

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2. **Summary of significant accounting policies** *(continued)*

Impairment of long lived assets

The Centre tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Fund accounting

Revenues and expenditures related to program delivery and administrative activities are reported in the Operating Fund.

The Board of Directors has internally restricted $20,000 as a contingency reserve fund. These internally restricted funds are not available without the approval of the Board of Directors.

Revenue recognition

The Centre follows the deferral method of accounting for contributions.

Unrestricted contribution revenue is recorded as revenue when it is received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. The following revenue streams are unrestricted contributions: Donations, Events, Fundraising, Sublease, Membership dues, and Interest.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. The following revenue streams are restricted contributions: Grants, FCSS revenues, Casino revenue and Deferred contributions for leasehold improvements.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

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.

Contributed services

Some of the work of the Centre is dependent on the voluntary services of members and others. Due to the difficulty in determining their fair value, contributed services are not recognized in these financial statements.

3. **Property and equipment**

	Cost	Accumulated amortization	**2019 Net book value**	2018 Net book value
Leasehold improvements	$ 320,824	$ 92,285	**$ 228,539**	$ 253,780
Computer equipment	13,807	7,076	**6,731**	9,055
Furniture and fixtures	12,162	6,897	**5,265**	6,240
	$ 346,793	$ 106,258	**$ 240,535**	$ 269,075

4. **Intangible asset**

	Cost	Accumulated amortization	**2019 Net book value**	2018 Net book value
Website	$ 16,400	$ 4,254	**$ 12,146**	$ 3,895

5. **Accounts payable and accrued liabilities**

	2019	2018
Accounts payable and accrued liabilities	**$ 25,768**	$ 24,378
Government remittances payable	**6,744**	7,292
	$ 32,512	$ 31,670

6. **Deferred revenue**

	Opening	Funds received	Recognized in revenue	Closing
Colliers International Edmonton	$ 102,513	$ -	$ 10,751	$ 91,762
Government of Alberta - Aging Well in Community	-	75,000	11,916	63,084
Government of Alberta - Community Facility Enhancement Program	-	55,000	2,305	52,695
Gala	7,500	5,000	7,500	5,000
Casino	59,620	-	56,668	2,952
Alberta Human Services	12,863	92,400	105,263	-

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6. **Deferred revenue** *(continued)*

	Opening	Funds received	Recognized in revenue	Closing
Edmonton Community Foundation - Vital Signs	28,800	-	28,800	-
Edmonton Community Foundation - Moffat Foundation	19,761	-	19,761	-
Stollery Children's Hospital Foundation	12,282	-	12,282	-
Community Initiatives Program	11,049	-	11,049	-
Edmonton Community Foundation - 2Spirit Society	10,000	-	10,000	-
OUTSaskatoon	6,983	-	6,983	-
Sexual Assault Centre	4,619	-	4,619	-
Alberta Health Services	526	-	526	-
City of Edmonton - FCSS	-	87,049	87,049	-
City of Edmonton - Community Investment Operating Grant	-	16,500	16,500	-
Canada Summer Jobs	-	11,105	11,105	-
	$ 276,516	$ 342,054	$ 403,077	$ 215,493

Cash from Government of Alberta - Aging Well in Community Grant in the amount of $63,084 (2018 - $nil) is held as restricted cash in a separate bank account.

Cash from Casino proceeds in the amount of $2,952 (2018 - $59,620) is held as restricted cash in a separate bank account.

7. **Deferred contributions for leasehold improvements**

Deferred contributions for leasehold improvements represent amounts previously received from the Alberta Gaming and Liquor Commission ("AGLC") that were approved by the AGLC and Board of Directors to be used to aid in the upgrades of the new premises. The contribution is amortized to revenue over the life of the new lease. The change in the deferred contributions balance for the year is as follows:

	2019	2018
Balance, beginning of the year	**$ 115,098**	$ 129,483
Less: amount amortized to revenue	**(14,385)**	(14,385)
Balance, end of the year	**$ 100,713**	$ 115,098

8. **Subsequent events**

The COVID-19 outbreak in Canada has caused business disruption through mandated and voluntary closings of businesses and organizations. While the disruption is currently expected to be temporary there is considerable uncertainty around the duration. Therefore, the Centre expects this matter to negatively impact its operations in the subsequent year. The related financial impact and duration cannot be reasonably estimated at this time. These statements are prepared on the basis that the COVID-19 outbreak is short term in nature and the Centre is able to return to normal operations.

9. **Contractual obligations**

The Centre has leased its premises for ten years commencing on April 1, 2012. The landlord has pledged to donate $3,000 per month so long as the Centre remains a registered charity. These donations are not factored into the future lease payments schedule presented below. The Centre has the following obligation for their premises lease expiring March 31, 2022:

2020	$ 95,301
2021	95,301
2022	23,825
	$ 214,427

10. **Financial instruments**

Financial instruments are defined as contractual rights to receive or deliver cash or another financial asset. The Centre's financial instruments consist of recorded amounts of cash, accounts receivable, and accounts payable and accrued liabilities.

The Centre is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Centre's risk exposure and concentration as of December 31, 2019.

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10. **Financial instruments** *(continued)*

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Centre is exposed to credit risk from donors and government contributors. The Centre is exposed to concentration of credit risk to the extent that amounts owing from one contributor comprises 100% (2018- two contributors comprised 100%) of the accounts receivable at year end.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Centre is exposed to this risk mainly in respect of its receipt of funds from its members and other related sources, in order to repay its accounts payable and accrued liabilities.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Centre is not exposed to market risk in any significant manner.

		2019		2018
Revenues				
City of Edmonton - FCSS Grant	**$**	**87,049**	$	87,049
Direct costs				
Salaries		**61,084**		60,618
Programming		**13,757**		9,122
Rent		**4,349**		7,307
Professional fees		**4,262**		6,500
General and administrative		**3,597**		6,460
		87,049		90,007
Deficiency of revenues over direct costs	**$**	**-**	$	(2,958)

201912 Pride Centre of Edmonton FS Final

Final Audit Report 2020-04-01

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