

**The Greater Charlottetown Area
Chamber of Commerce
Financial Statements
For the Year Ended December 31, 2019**

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Independent Auditor's Report

To the Members of The Greater Charlottetown Area Chamber of Commerce

Opinion

We have audited the financial statements of The Greater Charlottetown Area Chamber of Commerce (the Chamber), which comprise the statement of financial position as at December 31, 2019, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Chamber as at December 31, 2019, and its financial performance 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Chamber 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 Chamber'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 Chamber or to cease operations, or has no realistic alternative but to do so.

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



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 Chamber'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 Chamber'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 Chamber 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.

BDO Canada LLP

Chartered Professional Accountants

Charlottetown, Prince Edward Island
April 16, 2020

**The Greater Charlottetown Area Chamber of Commerce
Statement of Financial Position**


December 31	2019	2018
Assets		
Current		
Cash	\$ 287,633	\$ 162,288
Accounts receivable (Note 2)	197,163	262,104
Short-term investments (Note 3)	72,006	35,262
Prepaid expenses	1,099	4,233
	557,901	463,887
Long-term investments (Note 3)	34,947	70,112
Capital assets (Notes 4 & 5)	14,238	7,219
	\$ 607,086	\$ 541,218

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities	\$ 106,537	\$ 118,786
Deferred project revenue	89,027	35,352
Memberships paid in advance	17,301	15,361
	212,865	169,499
Net Assets		
Invested in capital assets (Note 5)	14,238	7,219
Internally restricted (Note 6)	9,762	6,407
Unrestricted	370,221	358,093
	394,221	371,719
	\$ 607,086	\$ 541,218

Commitments (Note 7)

On behalf of the Chamber:



Director



Director

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

**The Greater Charlottetown Area Chamber of Commerce
Statement of Changes in Net Assets**

For the year ended December 31	Invested in capital assets	Internally restricted	Unrestricted	2019 Total	2018 Total
Balance, beginning of the year	\$ 7,219	\$ 6,407	\$ 358,093	\$ 371,719	\$ 333,721
Excess of revenue over expenses (Notes 5 & 6)	(5,320)	3,355	24,467	22,502	37,998
Net change in investment in capital assets (Note 5)	12,339	-	(12,339)	-	-
Balance, end of the year	\$ 14,238	\$ 9,762	\$ 370,221	\$ 394,221	\$ 371,719

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

The Greater Charlottetown Area Chamber of Commerce Statement of Operations

For the year ended December 31	2019	2018
Revenue		
Programs and special events (Note 8)	\$ 1,145,721	\$ 1,229,360
Memberships	298,865	282,142
Administrative and marketing fees	57,825	55,188
Student Entrepreneurship Award (Note 6)	6,250	5,790
Interest and other	3,653	2,005
Amortization of deferred contributions	-	3,691
	<u>1,512,314</u>	<u>1,578,176</u>
Operating expenses		
Amortization of capital assets	5,320	3,832
Bank and credit card charges	8,744	9,703
Board and committee	7,867	4,898
Consulting fees	12,020	18,159
Insurance	3,093	3,117
Membership services	9,391	7,289
Office administration	12,546	10,759
Office supplies	6,770	8,849
Postage	2,381	1,313
Professional fees	32,745	31,801
Professional memberships	6,671	5,791
Programs and special events (Note 8)	925,510	1,037,380
Promotion and marketing	21,682	20,849
Rent	32,553	32,520
Technology fees	12,178	12,062
Telecommunications	5,468	4,672
Travel	9,543	9,685
Wages, levies and benefits	370,804	315,278
Website	4,526	2,221
	<u>1,489,812</u>	<u>1,540,178</u>
Excess of revenue over expenses	<u>\$ 22,502</u>	<u>\$ 37,998</u>

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

The Greater Charlottetown Area Chamber of Commerce Statement of Cash Flows

For the year ended December 31	2019	2018
Cash flows from operating activities		
Cash receipts from members and partners	\$ 1,621,209	\$ 1,650,590
Cash paid to suppliers and employees	(1,484,304)	(1,633,038)
Interest received	2,357	603
	139,262	18,155
Cash flows from investing activities		
Increase in investments	(1,578)	(105,374)
Purchase of capital assets	(12,339)	(5,004)
	(13,917)	(110,378)
Net increase (decrease) in cash	125,345	(92,223)
Cash, beginning of the year	162,288	254,511
Cash, end of the year	\$ 287,633	\$ 162,288

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

The Greater Charlottetown Area Chamber of Commerce Notes to Financial Statements

December 31, 2019

1. Significant Accounting Policies

Nature and Purpose of Organization The Greater Charlottetown Area Chamber of Commerce (the "Chamber") is a not-for-profit organization federally incorporated without share capital under Part I of the Boards of Trade Act. The Chamber's principal business activities include promoting business in the greater Charlottetown area. The Chamber is a not-for-profit organization under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

Basis of Accounting The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Capital Assets Capital assets are stated at cost. Capital assets are amortized on a straight-line basis using the following annual rates:

Asset	Rate
Office equipment	20%
Furniture and fixtures	20%
Computer equipment	33%
Website	33%

Revenue Recognition The Chamber follows the deferral method of accounting for contributions which include contributions restricted for the purchase of capital assets and government funds for the purpose of operating programs and special projects.

Annual membership fee revenue is recorded as deferred revenue when received and is recognized as revenue in the statement of operations over the related membership period.

Program and special government contributions received are reported as unearned revenue until the Chamber meets all funding eligibility criteria at which time they are transferred to revenue. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital asset.

The Greater Charlottetown Area Chamber of Commerce Notes to Financial Statements

December 31, 2019

1. Significant Accounting Policies (continued)

Financial Instruments	<p>Financial instruments are recorded at fair value at initial recognition.</p> <p>In subsequent periods, financial instruments are reported at cost or amortized cost less impairment, if applicable. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed for those items measured at fair market value and charged to the financial instrument for those measured at amortized cost.</p> <p>Financial instruments are tested for impairment when changes in circumstances indicate the asset could be impaired.</p>
Use of Estimates	<p>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 reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future and may have an impact on future periods. Financial statement areas that have been estimated include allowance for doubtful accounts, and the useful lives of capital assets.</p>
Contributed Services	<p>A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining fair value, contributed services are not recognized in the financial statements.</p>

**The Greater Charlottetown Area Chamber of Commerce
Notes to Financial Statements**

December 31, 2019

2. Accounts Receivable

	2019	2018
Trade	\$ 11,756	\$ 22,227
HST	14,973	28,751
Government contributions:		
Events	-	27,000
Special projects	170,434	184,126
	\$ 197,163	\$ 262,104

3. Investments

	2019	2018
Guaranteed Investment Certificate, 1.89% per annum, matures July 2020	\$ 35,758	\$ 35,262
Guaranteed Investment Certificate, 2.8% per annum, matures August 31, 2020	36,248	35,167
Guaranteed Investment Certificate, return indexed to market performance, matures September 11, 2021	34,947	34,945
	106,953	105,374
Less current portion	(72,006)	(35,262)
	\$ 34,947	\$ 70,112

**The Greater Charlottetown Area Chamber of Commerce
Notes to Financial Statements**

December 31, 2019

4. Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$ 15,121	\$ 11,595	\$ 12,636	\$ 10,279
Furniture and fixtures	15,895	15,895	15,895	15,895
Computer equipment	32,206	21,494	22,352	17,490
Website	8,295	8,295	8,295	8,295
	<u>71,517</u>	<u>57,279</u>	<u>59,178</u>	<u>51,959</u>
		<u>\$ 14,238</u>		<u>\$ 7,219</u>

5. Investment in Capital Assets

(a) Net assets invested in capital assets comprise:

	2019	2018
Capital assets	<u>\$ 14,238</u>	<u>\$ 7,219</u>

(b) Changes in net assets invested in capital assets are calculated as follows:

	2019	2018
Excess of expenses over revenue:		
Amortization of deferred contributions related to capital assets	\$ -	\$ 3,691
Amortization of capital assets	(5,320)	(3,832)
	<u>\$ (5,320)</u>	<u>\$ (141)</u>

	2019	2018
Net change in investment in capital assets:		
Capital assets acquired	<u>\$ 12,339</u>	<u>\$ 870</u>

The Greater Charlottetown Area Chamber of Commerce Notes to Financial Statements

December 31, 2019

6. Internal Restrictions on Net Assets

During the 2016 year, the Chamber's Board of Directors established a Student Entrepreneurship Award as part of its commitment to encourage economic growth in Prince Edward Island by promoting and supporting entrepreneurship. Each year the net amount of any funds raised towards the support of this award are internally restricted for the purpose of funding an annual cash award. These internally restricted amounts are not available for other purposes without approval of the Board of Directors.

The change in internally restricted assets during the year is calculated as follows:

	2019	2018
Balance, beginning of the year	\$ 6,407	\$ 4,208
Contributions received	6,250	5,790
Expenses incurred	(2,895)	(3,591)
Balance, end of the year	\$ 9,762	\$ 6,407

Expenses incurred with respect to the Student Entrepreneurship Award include the payment of the annual cash award as well as marketing and administrative expenses.

7. Commitments

The Chamber rents office space under an operating lease which expires on August 31, 2021. The minimum annual lease payments for the remaining term of the lease are as follows:

2020	\$	60,384
2021		40,256

8. Programs and Special Events

	Revenue	Expenses	2019 Net amount	2018 Net amount
Events	\$ 259,973	\$ 192,509	\$ 67,464	\$ 63,971
Advertising	50,532	33,411	17,121	10,093
Special projects	835,216	699,590	135,626	117,916
	\$ 1,145,721	\$ 925,510	\$ 220,211	\$ 191,980

The Greater Charlottetown Area Chamber of Commerce Notes to Financial Statements

December 31, 2019

9. Government Contributions

During the year, the Chamber recognized government contributions of the following:

	<u>2019</u>	<u>2018</u>
Operational contributions:		
Wage subsidies	\$ 18,672	\$ 24,159
Programs and special events funding:		
PEI Connectors	460,331	470,561
Island Advance - Phase III	30,042	200,526
PEI Network	207,786	128,012
Good News Campaign	31,143	29,746
Biz 2 Biz	-	27,000
HR Toolkit	53,716	7,480
Small Business Week	34,000	4,995
	<u>\$ 835,690</u>	<u>\$ 892,479</u>

10. Related Party Transactions

During the year, the organization engaged in transactions with businesses for which the owners and/or management of these respective businesses are also on the Board of the Chamber. During the year ended December 31, 2019, payments to these businesses were made to cover various expenses totaling \$298 (2018 - \$1,118). These expenses for the current year comprised of office administration.

In addition, the Chamber engaged in sales transactions with various firms and businesses which employ or are owned by members of the Board of Directors. During the year ended December 31, 2019, receipts from these businesses were made for the following items: memberships - \$9,862 (2018 - \$3,134), sponsorships - \$6,250 (2018 - \$9,455), advertising - \$10,410 (2018 - \$5,125) and special events - \$24,665 (2018 - \$5,475).

All of the above-noted transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Greater Charlottetown Area Chamber of Commerce

Notes to Financial Statements

December 31, 2019

11. Financial Instrument Risks

The Chamber is exposed through its operations to the following financial risks:

Credit Risk

The Chamber is exposed to credit risk arising from its membership, trade and government contributions receivable, as well as from its financial institutions holding cash balances. The majority of the Chamber's receivables are from government sources and the organization works to ensure they meet all eligibility criteria in order to qualify to receive funding.

The Chamber is also exposed to credit risk as a result of its cash deposits held in its bank account in excess of the maximum insurable amount covered by the Canadian Deposit Insurance Corporation. At December 31, 2019, the Chamber's maximum exposure to this risk was \$194,591. The Chamber mitigates this risk by maintaining cash with established financial institutions.

Interest Rate Risk

The Chamber is exposed to interest rate risk primarily through its investment in a Guaranteed Investment Certificate with a variable interest rate linked to the performance of the specified investments. The Chamber deems its exposure to interest rate risk with respect to the effect of interest rate fluctuations on short-term investments to be insignificant.

12. Subsequent Event

The global pandemic has disrupted economic activities. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of the business disruption and the related financial impact cannot be reasonably estimated at this time. The Chamber's ability to continue to hold events, attract members, and receive government funding in order to generate revenue at their normal capacity is unknown.
