Alberta Liquor Store Association

Financial Statements

December 31, 2019

Management's Responsibility

To the Members of Alberta Liquor Store Association:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Association. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Association's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

September 21, 2020

signed by "Ivonne Martinez"	*signed by "Sandra Schweitzer"*
President	Director of Finance, AHLA

Independent Auditor's Report

To the Members of Alberta Liquor Store Association:

Opinion

We have audited the financial statements of Alberta Liquor Store Association (the "Association"), which comprise the statement of financial position as at December 31, 2019, and the statements of revenues, expenses and changes in surplus 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 Association 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 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 Association 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 Association’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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association’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 Association'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 Association'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 Association 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.

Edmonton, Alberta

MNP LLP

September 21, 2020

Chartered Professional Accountants

MNP

Alberta Liquor Store Association
Statement of Financial Position
As at December 31, 2019

	2019	*2018*
Assets		
Current		
Cash	**41,386**	59,074
Accounts receivable	**130,321**	183,157
	171,707	242,231
Capital assets *(Note 3)*	**1,532**	3,102
	173,239	245,333
Liabilities		
Current		
Accounts payable and accruals *(Note 4)*	**24,566**	59,087
Deferred revenue	**8,383**	13,625
	32,949	72,712
Commitments *(Note 5)*		
Subsequent events *(Note 7)*		
Surplus	**140,290**	172,621
	173,239	245,333

Approved on behalf of the Board

signed by "Allison Radford"
Director

signed by "Adam Koziak"
Director

The accompanying notes are an integral part of these financial statements

Alberta Liquor Store Association
Statement of Revenue, Expenses and Changes in Surplus
For the year ended December 31, 2019

	2019	*2018*
Revenue		
Grant revenue	**246,218**	-
Member contributions	**173,300**	159,146
Sponsorship	**126,446**	165,000
Alberta Liquor Industry Conference	**95,042**	71,170
Group buy rebates	**32,798**	31,609
Government awareness	**28,571**	52,381
Interest income	**3,932**	2,384
Other	**-**	300
	706,307	481,990
Direct expenses		
Advertising and media	**260,017**	14,385
Alberta Liquor Industry Conference	**64,622**	59,538
Association development	**53,392**	9,249
Professional and consulting fees	**24,500**	26,566
Educational materials	**15,952**	43,904
Government awareness	**12,695**	30,000
Travel	**4,672**	6,046
	435,850	189,688
Excess of revenues over direct expenses	**270,457**	292,302
Expenses		
Salaries and benefits	**231,136**	259,485
Accounting services and admin support	**24,000**	24,000
Office supplies	**13,032**	11,127
Office rent	**12,000**	12,000
Miscellaneous	**10,025**	-
Audit and legal fees	**8,388**	8,125
Amortization	**1,570**	1,613
Insurance	**1,407**	1,275
Directors' meetings	**1,230**	1,100
	302,788	318,725
Deficiency of revenue over expenses	**(32,331)**	(26,423)
Surplus, beginning of year	**172,621**	199,044
Surplus, end of year	**140,290**	172,621

The accompanying notes are an integral part of these financial statements

Alberta Liquor Store Association
Statement of Cash Flows
For the year ended December 31, 2019

	2019	*2018*
Cash provided by (used for) the following activities		
Operating		
Deficiency of revenue over expenses	**(32,331)**	(26,423)
Amortization	**1,570**	1,613
	(30,761)	(24,810)
Changes in working capital accounts		
Accounts receivable	**52,836**	(141,971)
Prepaid expenses	**-**	100
Accounts payable and accruals	**(34,521)**	34,328
Deferred revenue	**(5,242)**	12,202
	(17,688)	(120,151)
Investing		
Purchase of capital assets	**-**	(1,047)
Decrease in cash resources	**(17,688)**	(121,198)
Cash resources, beginning of year	**59,074**	180,272
Cash resources, end of year	**41,386**	59,074

The accompanying notes are an integral part of these financial statements

1. Incorporation and nature of the organization

The Alberta Liquor Store Association (the "Association") is incorporated as a not-for-profit organization under the Societies' Act of Alberta and is exempt from income taxes under Section 149 of the Income Tax Act.

The Association was established to provide a unified voice for the Alberta liquor store industry in its dealings with all levels of government, the public, media and others with interests in the industry. It also provides a forum for the exchange of ideas, trends, and initiatives with a view toward greater public service and industry well-being, as well as a code of ethics for its members.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CPA Canada Handbook.

Revenue recognition

The Association recognizes revenue using the deferral method, which results in the following:

Sales are recognized in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total service to be provided.

Advances received for membership services to be rendered by the Association are deferred and recognized in the period in which the service is provided.

Cash

Cash includes cash on hand and balances with banks.

Capital assets

The Association records its capital assets at cost.

Amortization is provided using the methods noted below at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Equipment	declining balance	30 %
Leasehold improvements	straight-line	lease term

Long-lived assets

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Association writes down long-lived assets held for use when conditions indicate that the asset no longer contributes to the Association's ability to provide goods and services. The asset is also written-down when the value of future economic benefits or service potential associated with the asset is less than its net carrying amount. When the Association determines that a long-lived asset is impaired, its carrying amount is written down to the asset's fair value.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity 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 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.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues over expenses in the periods in which they become known.

2. Significant accounting policies *(Continued from previous page)*

Financial instruments

All financial instruments are initially recorded at their fair value, excluding certain financial assets and liabilities originated and issued in a related party transaction measured at their carrying or exchange amount in accordance with Section 3480 *Related Party Transactions*. At initial recognition, the Association may irrevocably elect to subsequently measure any financial instrument at fair value. The Association has not made such an election during the year.

The Association subsequently measures investments in equity instruments quoted in an active market at fair value. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to financial instruments subsequently measured at fair value are immediately recognized in excess of revenues over expenses for the current period. Transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

The Association assesses impairment of all of its financial assets measured at cost or amortized cost when there is an indication of impairment. Any impairment which is not considered temporary is included in current year excess of revenues over expenses.

3. Capital assets

	Cost	***Accumulated amortization***	***2019 Net book value***	*2018 Net book value*
Equipment	**7,842**	**6,389**	**1,453**	2,075
Leasehold improvements	**4,740**	**4,661**	**79**	1,027
	12,582	**11,050**	**1,532**	3,102

4. Accounts payable and accruals

Included in accounts payable and accruals are government remittances, such as goods and services tax and payroll withholding taxes, which are required to be paid to government authorities, of $9,427 (2018 - $10,690).

5. Commitments

The Association is committed to annual rent of $12,000 to January 31, 2020 and annual accounting services and admin support fees of $24,000 to December 31, 2019.

6. Financial instruments

The Association, as part of its operations, carries a number of financial instruments. It is management's opinion that the Association is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Credit risk

The Association is exposed to credit risk through its cash and accounts receivable. The maximum amount of credit risk exposure is limited to the carrying value of the balances as disclosed in these financial statements.

The Association manages its exposure to credit risk on cash by placing these financial instruments with high-credit quality financial institutions.

The Association assesses, on a continuous basis, accounts receivable for any amounts that are not collectible. As at December 31, 2019, the Association had recorded $nil (2018 - $nil) as an allowance for doubtful accounts.

7. Subsequent events

Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Association as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Association's business and financial condition.