

Financial Position of SEESA – the past , present and future

The following is a brief summary of SEESA's financial position to better understand what has happened since 2016.

The Past - 2016 to 2019

A review of the audited financial statements from 2016 to 2019 has revealed the following:

- a) the revenue received during these years was consistent from year to year, from \$975K in 2016 to \$970K in 2019;
- b) in regards to revenue generated; program sales remain relatively the same over the 4-year period but the kitchen sales went from \$162K in 2016 to 116K in 2019;
- c) however, the overall expenses incurred each year increased from \$ 934K in 2016 to a high of \$1,048,000 in 2019;
- d) the largest expense – wages and benefits increased from \$ 491K in 2016 to \$624K in 2019 and program expenses also increased from \$93K in 2016 to 141K in 2019;
- e) SEESA received casino funds of \$ 79,845 in 2017 and \$87,007 in 2019, which were used to help pay for specific expenses as per AGLC Use of Procedure rules;
- f) the total cash balances in each year remained consistent from year to year;
- g) SEESA had generated a **surplus** of income over expenses in 2016 of approximately \$41K, then \$37K in 2017 but changed to a **deficit** of \$8K in 2018 and \$77K in 2019;
- h) in reviewing the balance sheet, the balance of assets over liabilities (similar to "owners' equity" if you were operating a business), decreased from \$ 243K in 2016 to \$194K in 2019;
- g) there was no allocation of expenses to specific programs so it was very difficult to determine which programs /events ("business line") were contributing directly to the deficits in the 2018 and 2019 fiscal years.

The Present – 2020

At the AGM in March, 2020 a budget for 2020 was presented to the membership to project a balanced budget – no surplus but no deficit. However, as we all know, COVID resulted in the closure of the Centre, which in turn affected the revenue generated from our business lines. There was also significant change to the Board of Directors during

this same time. The new Board proceeded with staff layoffs and terminations which resulted in pay outs of wages, vacation time and severance owed to these staff members. For the remaining staff, 3 salaried positions are covered by FCCS grants from the City of Edmonton. Monthly applications were made for the Canada Emergency Wage Subsidy (“CEWS”) to assist in the payment of salaries from March 2020. In addition, the Centre still incurs annual building and overhead costs of approximately \$18K per month (without salaries) regardless at what capacity is it functioning, and these costs are been paid with available cash funds from various bank accounts. As of September, 2020, there was approximately \$ 439K in total cash balance including deposits of approximately \$60K from the CEWS program and \$70K left from the casino bank account.

The finance committee also determined that to mitigate the financial risk that the Centre was now under, the whole accounting system would be reviewed to properly match and allocated expenses to income generated from each business line.

Capital investment for upgrading the current computer system was also completed in 2020 so online classes and the SEESA website would be user friendly.

The audited financial statements have not been prepared for 2020 but it is certain that for this fiscal period a deficit will be incurred.

The future – 2021 and beyond

To reinforce the strategic goal of “enhancing organizational capacity and financial sustainability” as outlined in the approved Strategic Plan of September 14, 2020, the 2021 budget is being prepared with a different approach. A new chart of accounts has been prepared to properly track and monitor the revenue and expenses incurred from the various business line each month. In preparation of the 2021 budget the following assumptions are being made:

- a) no grants will be received from the City of Edmonton towards operations.
- b) estimated revenue is being based upon certain parameters including number of returning members, classes being offered onsite and online, restricted number of attendees that can participate onsite and what other programs can be safely reopened;
- c) corporate costs, which are the fixed costs including salaries, is being allocated to each business line based upon an estimated percentage.

See Budget 2021 and related notes for further details on the calculation of revenue and allocation of expenses to various business lines and all parameters used.

The exercise to prepare and complete a budget for 2021 has been very comprehensive and will be constantly monitored in 2021. The budget was prepared in being mindful to look at any way to reduce the corporate costs as the cash flow (bank balances) will

continue to be depleted if no new revenue streams are received. Also, it is acknowledged that the online classes are the way of the future and we need to adapt to this new approach in delivery our membership services.

However, to ensure that the Centre can continue to operate as a viable non-profit organization there needs to be investment in the future. What does this mean? It means:

- a) There will be continued review of the corporate costs.
- b) There will be a change over to a more user-friendly accounting system so financial reports can be generated at any time of the year.
- c) There will be a targeted membership fund raising campaign.
- d) Pursual of blended learning of classes – in person with online participation.
- e) Investment in capital equipment and technology to facility more online and blended classes.
- f) Selection of a new audit partner to provide an extensive and transparent management letter and post audit report containing comments and recommendations with respect to management, accounting, administrative controls and efficiencies.
- g) Continued work to strengthen SEESA's charitable status to achieve the eligibility standards of Imagine Canada

In summary, the 2021 budget reflects a deficit as well but it also reinforces the need to constantly review each business line at SEESA to ensure we are using the public funds received from the members and various Government departments in the most efficient manner.