

Financial Statements of

**ABC Ltd OF ALBERTA  
(Registered Society)**

Year ended December 31, 2020

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# **ABC Ltd OF ALBERTA**

(Registered Society)

## **Financial Statements**

**Year ended December 31, 2020**

Independent Auditors' Report

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## INDEPENDENT AUDITORS' REPORT

To the Members of ABC Ltd of Alberta (Registered Society)

### ***Opinion***

We have audited the financial statements of ABC Ltd of Alberta (Registered Society), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Registered Society as at December 31, 2020, and its results of 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Registered Society 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 Registered Society'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 Registered Society or to cease operations, or has no realistic alternative but to do so.

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

## ***Auditors' 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 auditors' 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 the 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 Registered Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- ٧٨ 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 Registered Society'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 Registered Society to cease to continue as a going concern.
- ٧٨ 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.
- ٧٨ 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.

*KPMG LLP*

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Chartered Professional Accountants

Edmonton, Canada

April 20, 2021

# ABC Ltd OF ALBERTA

(Registered Society)

## Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
<b>ASSETS</b>		
Current		
Cash and cash equivalents	\$ 2,566,410	\$ 1,828,340
Investments (note 3)	500,000	512,013
Accounts receivable	651,105	513,579
Prepaid expenses and deposits	893,063	709,339
	<b>4,610,578</b>	<b>3,563,271</b>
Non-current investments (note 3)	<b>275,000</b>	275,000
Property and equipment (note 4)	<b>5,740,027</b>	6,366,669
	<b>\$ 10,625,605</b>	<b>\$ 10,204,940</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current		
Accounts payable and accruals (note 5)	\$ 3,366,617	\$ 1,662,463
Deferred revenues	660,252	678,628
Current portion of long-term debt (note 6)	473,555	472,301
	<b>4,500,424</b>	<b>2,813,392</b>
Callable debt (note 6)	342,923	350,000
	<b>4,843,347</b>	<b>3,163,392</b>
Long-term debt (note 6)	<b>561,377</b>	763,334
Unamortized deferred capital contributions (note 7)	<b>119,997</b>	142,497
Straight-line rent and tenant inducements (note 8)	<b>5,111,088</b>	5,495,579
	<b>10,635,809</b>	<b>9,564,802</b>
Net (deficiency) assets	<b>(10,204)</b>	640,138
	<b>\$ 10,625,605</b>	<b>\$ 10,204,940</b>

Credit facility (note 6)  
Commitments and contingencies (note 10)  
Impacts of COVID-19 (note 13)

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_, Director

\_\_\_\_\_, Director

**ABC Ltd OF ALBERTA**

(Registered Society)

**Statement of Operations**

Year ended December 31, 2020, with comparative information for 2019

	<b>2020</b>	2019
Operating revenues		
Commercial	\$ 23,614,342	\$ 30,274,056
Federal subsidies (note 13)	2,295,714	-
Provincial contract fees	1,387,065	2,204,619
Donations, grants and contributions	60,396	272,570
Interest revenue	2,128	13,367
	<b>27,359,645</b>	32,764,612
Operating expenses (note 12)		
Human resources	15,047,405	18,957,729
Occupancy	9,521,057	9,222,993
Other operating	1,665,017	2,226,654
Materials	1,167,831	1,144,885
	<b>27,401,310</b>	31,552,261
(Deficiency) excess of revenues over expenses before the under-noted	<b>(41,665)</b>	1,212,351
Amortization of deferred capital contributions	22,500	25,337
Amortization of deferred tenant inducements	458,136	480,079
Amortization of property and equipment	(1,089,313)	(1,188,578)
Lease termination fee	-	(712,619)
Loss on disposal of property and equipment	-	(83,790)
Deficiency of revenues over expenses	<b>\$ (650,342)</b>	<b>\$ (267,220)</b>

See accompanying notes to financial statements.

**ABC Ltd OF ALBERTA**

(Registered Society)

**Statement of Changes in Net (Deficiency) Assets**

Year ended December 31, 2020, with comparative information for 2019

<b>2020</b>	Unrestricted (deficiency)	Invested in property and equipment	<b>Total</b>
Balance, beginning of year	\$ (48,056)	\$ 688,194	<b>\$ 640,138</b>
Deficiency of revenues over expenses	(41,665)	(608,677)	<b>(650,342)</b>
Investment in property and equipment, net	(670,451)	670,451	-
Balance, end of year	\$ (760,172)	\$ 749,968	<b>\$ (10,204)</b>

<b>2019</b>	Unrestricted (deficiency)	Invested in property and equipment	<b>Total</b>
Balance, beginning of year	\$ (859,899)	\$ 1,767,257	<b>\$ 907,358</b>
Excess (deficiency) of revenues over expenses	499,732	(766,952)	<b>(267,220)</b>
Investment in property and equipment, net	312,111	(312,111)	-
Balance, end of year	\$ (48,056)	\$ 688,194	<b>\$ 640,138</b>

See accompanying notes to financial statements.



**ABC Ltd OF ALBERTA**

(Registered Society)

**Statement of Cash Flow**

Year ended December 31, 2020, with comparative information for 2019

	<b>2020</b>	<b>2019</b>
Cash provided by (used in):		
Operating activities:		
Deficiency of revenues over expenses	\$ (650,342)	\$ (267,220)
Amortization of property and equipment	1,089,313	1,188,578
Straight-line rent (note 8)	73,645	147,830
Amortization of deferred capital contributions (note 7)	(22,500)	(25,337)
Amortization of deferred tenant inducements (note 8)	(458,136)	(480,079)
Gain on settlement of accounts payable and accruals	-	(416,113)
Loss on write-down of property and equipment	-	416,113
Loss on disposal of property and equipment	-	83,790
	<b>31,980</b>	<b>647,562</b>
Change in non-cash operating working capital		
Accounts receivable	(137,526)	(203,676)
Prepaid expenses and deposits	(183,724)	109,373
Accounts payable and accrued liabilities	1,704,154	397,460
Deferred revenues	(18,376)	7,803
	<b>1,396,508</b>	<b>958,522</b>
Financing activities:		
Proceeds from callable and long-term debt (note 6)	-	<b>350,000</b>
Repayments of callable and long-term debt (note 6)	(207,780)	(444,179)
Tenant inducement received (note 8)	-	1,783,619
	<b>(207,780)</b>	<b>1,689,440</b>
Investing activities:		
Proceeds from disposal of investments	787,013	775,000
Purchase of investments including reinvested investment income	(775,000)	(787,013)
Purchase of property and equipment	(462,671)	(1,793,442)
	<b>(450,658)</b>	<b>(1,805,455)</b>
Net increase in cash and cash equivalents	<b>738,070</b>	<b>842,507</b>
Cash and cash equivalents, beginning of year	<b>1,828,340</b>	<b>985,833</b>
Cash and cash equivalents, end of year	\$ <b>2,566,410</b>	\$ <b>1,828,340</b>
Supplemental cash flow information:		
Cash interest paid	\$ 92,288	\$ 112,730
Cash interest received	\$ 2,128	\$ 13,367

See accompanying notes to financial statements.

**Notes to Financial Statements**

Year ended December 31, 2020

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**1. Purpose of the organization**

ABC Ltd Industries of Alberta (Registered Society) ("ABC Ltd") is a non-profit registered charity incorporated without share capital under the Societies Act of Alberta. ABC Ltd is a social enterprise providing individuals with disabilities the opportunity to enhance their lives through meaningful employment. No provision for corporate income taxes has been provided in these financial statements pursuant to Section 149(1)(l) of the Income Tax Act, Canada.

During the year, ABC Ltd operated 13 thrift retail stores and nine stand-alone donation collection centres throughout Alberta as well as performed extensive recycling and repurposing of donated items in addition to providing services under contract regarding employment opportunities for persons with disabilities. ABC Ltd has entered into new leases that will add two new retail sites, one stand-alone donation collection site, one expansion of an existing retail site and a new warehouse in 2021. Two existing retail sites are expected to be closed in 2021.

**2. Significant accounting policies**

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following policies:

**(a) Revenue recognition**

ABC Ltd follows the deferral method of accounting for contributions and operating subsidies. Restricted contributions and operating subsidies are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions and subsidies for the purchase of property and equipment are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired property and equipment. Unrestricted contributions and subsidies are recognized as revenue when received or receivable if the amount to be received can be estimated and collection is reasonably assured.

Provincial contract fees are recognized as revenue when the related service is performed, the amount to be received or receivable can be reasonably estimated and collection is reasonably assured. Grant revenue is recognized over the term of the related contract or agreement.

Commercial revenues are recognized at the time the service is performed or the contributed item is sold and when reasonable assurance exists regarding the measurement and collection of the consideration received.

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements. In-kind donations of services are recorded at fair value when such value can be reasonably determined.

**(b) Cash and cash equivalents**

Cash and cash equivalents include cash on hand and balances with banks, net of bank overdrafts.

**Notes to Financial Statements**Year ended December 31, 2020

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**2. Significant accounting policies (continued)****(c) Inventory**

Donated materials for resale are not recorded in the financial statements as the fair value of the amounts cannot be reasonably determined. Processing and reconditioning costs applicable to these materials are expensed in the period incurred.

**(d) Property and equipment**

Purchased property and equipment is recorded at cost. Contributed property and equipment is recorded at fair value at the date of the contribution. Assets acquired under capital leases are amortized over the estimated life of the asset or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense when incurred. Betterments which extend the estimated life of an asset are capitalized. When property or equipment no longer contributes to ABC Ltd's ability to provide services, the relevant carrying amount is written down to its residual value.

Amortization is calculated using the straight-line method, prorated from the date of acquisition, as follows:

Computers and electronic equipment	3 years
Furniture and equipment	10 years
Vehicles	3 years
Leasehold improvements	Term of the lease (maximum of 10 years)

**(e) Employee future benefits**

Prior to December 31, 2013, ABC Ltd had a defined contribution plan and a defined benefit plan covering certain employees. Effective December 31, 2013, the Trustee approved the termination of both plans and both plans began to wind-down.

Effective January 1, 2014, ABC Ltd established a group Registered Retirement Savings Plan (Group RRSP) that is funded by the employee and the employer on a shared basis. Contributions to the Group RRSP for current service is recognized when the contribution is paid (or payable) based on pay dates.

**(f) Leases and tenant inducements**

Leases are classified as capital or operating leases. A lease that transfers substantially the entire benefits and risks incidental to ownership is classified as a capital lease. All other leases are accounted for as operating leases, wherein rental payments are amortized on a straight-line basis over the term of the lease including free rental periods.

Tenant inducements are recognized as reductions in rent expense on a straight-line basis over the term of the related lease.

**Notes to Financial Statements**Year ended December 31, 2020

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**2. Significant accounting policies (continued)****(g) Financial instruments**

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. ABC Ltd has elected to carry its investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, ABC Ltd determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of expected cash flows, the amount that could be realized from selling the financial asset or the amount ABC Ltd expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

**(h) Foreign currency translation**

Monetary items denominated in foreign currencies are translated to Canadian dollars at the rate of exchange in effect at the statement of financial position date. Gains or losses on translation are included in earnings. Transactions denominated in foreign currencies are translated at the rate of exchange on the date the transaction is completed.

**(i) Use of estimates**

The preparation of these 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 revenue and expenses during the year. Significant items subject to such estimates and assumptions include the rates and methods to calculate amortization and impairments of property and equipment, assets and obligations related to employee future benefits and accrued liabilities related to tenant inducements. Actual results could differ from those estimates.

# ABC Ltd OF ALBERTA

(Registered Society)

## Notes to Financial Statements

Year ended December 31, 2020

### 3. Investments

	2020	2019
Cashable and redeemable ATB Financial guaranteed investment certificate with annual interest rate of 0.63% (2019 - 0.5%) with maturity within one year	\$ 500,000	\$ 507,750
Cashable and redeemable ATB Financial guaranteed investment certificate with annual interest rate of 0.63% (2019 - 0.5%) with maturity with one year	275,000	279,263
	775,000	787,013
Less current portion	500,000	512,013
	<b>\$ 275,000</b>	<b>\$ 275,000</b>

A portion of the ATB Financial guaranteed investment certificate (GIC) with a carrying amount of \$275,000 is restricted as cash security for an irrevocable letter of credit for \$275,000 issued by ABC Ltd through ATB Financial (note 10).

### 4. Property and equipment

2020	Cost	Accumulated Amortization	Net Book Value
Computers and electronic equipment	\$ 868,392	\$ 733,405	\$ 134,987
Furniture and equipment	2,465,070	1,000,279	1,464,791
Vehicles	279,373	269,016	10,357
Leasehold improvements	7,795,094	3,665,202	4,129,892
Total property and equipment	<b>\$ 11,407,929</b>	<b>\$ 5,667,902</b>	<b>\$ 5,740,027</b>

  

2019	Cost	Accumulated Amortization	Net Book Value
Computers and electronic equipment	\$ 823,889	\$ 689,386	\$ 134,503
Furniture and equipment	2,462,063	941,241	1,520,822
Vehicles	279,373	260,707	18,666
Leasehold improvements	7,774,622	3,081,944	4,692,678
Total property and equipment	<b>\$ 11,339,947</b>	<b>\$ 4,973,278</b>	<b>\$ 6,366,669</b>

During the year, ABC Ltd wrote off fully amortized assets resulting in a reduction to cost and accumulated amortization of \$394,689 (2019 - \$765,238).

**Notes to Financial Statements**

Year ended December 31, 2020

**5. Accounts payable and accruals**

	2020	2019
Government remittances including payroll taxes	\$ 103,953	\$ 94,962
Operating expenditures	890,662	812,086
Payroll and payroll related	1,003,540	755,415
Deferred rent and occupancy costs (note 13)	1,368,462	-
	<b>\$ 3,366,617</b>	<b>\$ 1,662,463</b>

**6. Long term debt and credit facility**

	2020	2019
Callable loan payable to ATB bearing interest at 5.95%, with scheduled repayments in monthly interest-only payments to November 30, 2020, with blended monthly payments starting December 31, 2020 of \$8,400, until September 30, 2024	\$ 342,923	\$ 350,000
Loan payable to Alberta Social Enterprise Venture Fund Inc. (ASEV) bearing interest at 5%, repayable in blended monthly payments of \$9,442, maturing on September 15, 2021	83,239	133,695
Loan payable to ASEV bearing interest at 6.5%, repayable in blended monthly payments of \$36,722, maturing on April 15, 2023	951,693	1,101,940
	<b>1,377,855</b>	<b>1,585,635</b>
Less:		
Scheduled cash repayments for long-term debt	(473,555)	(472,301)
Callable debt	(342,923)	(350,000)
	<b>\$ 561,377</b>	<b>\$ 763,334</b>

During the year there were loan payment deferrals as noted in Note 13 that impacted total repayments during the year and extended the amortization period.

Loans payable to ASEV are secured by a general security agreement. Management does not believe that the demand features of the callable debt will be exercised in the current year. Assuming payment of the callable debt is not demanded, regular principal payments required on all callable and long-term debt for the next five years are due as follows:

2021	<b>\$558,718</b>
2022	<b>505,957</b>
2023	<b>239,194</b>
2024	<b>73,985</b>

**Notes to Financial Statements**

Year ended December 31, 2020

**6. Long term debt and credit facility (continued)**

ABC Ltd has a demand operating loan facility available to a maximum of \$1,000,000 (2019 - \$1,000,000) of which \$nil was outstanding at December 31, 2020 (2019 - \$nil). The facility bears interest at the bank's prime rate plus 2.0% (2019 - prime rate plus 2.0%). The facility is secured by an investment portfolio with a minimum market value of \$500,000 (2019 - \$500,000) supported by a security agreement constituting a first ranking security interest in the investment portfolio. The facility is subject to certain financial covenants. At December 31, 2020, ABC Ltd was not in compliance with one of two financial covenants. However, the lender has agreed to not take action with respect to the covenant breach until at least April 30, 2021 after which it will review the financial covenants. Management expects all credit facilities to remain in place.

**7. Unamortized deferred capital contributions**

Changes in unamortized deferred capital contributions are as follows:

	2020	2019
Balance, beginning of year	\$ 142,497	\$ 167,834
Recognized as revenue	(22,500)	(25,337)
Balance, end of year	\$ 119,997	\$ 142,497

**8. Straight-line rent and tenant inducements**

	2020	2019
Tenant inducements	\$ 3,492,207	\$ 3,950,343
Straight-line rent	1,618,881	1,545,236
	\$ 5,111,088	\$ 5,495,579

During the year, ABC Ltd received \$nil (2019 - \$1,783,619) in tenant inducements and recognized \$458,136 (2019 - \$480,079) of amortization of deferred tenant inducements. In addition, during the year ABC Ltd recognized net straight-line rent expense of \$73,645 (2019 - \$147,830).

**9. Employee future benefits**

The ABC Ltd defined benefit and defined contribution pension plans were terminated effective December 31, 2013. At December 31, 2020, ABC Ltd is holding \$719,000 (2019 - \$770,000) in trust on behalf of the members of the plans for payment of remaining available benefits to members, expected to be completed in 2021. ABC Ltd does not expect a significant plan deficiency or plan surplus following full disbursement of member funds.

**Notes to Financial Statements**

Year ended December 31, 2020

**10. Commitments and contingencies**

	Premises base rent	Vehicles and equipment rent	Total
2021	\$6,995,032	\$276,364	<b>\$7,271,396</b>
2022	6,581,106	223,747	<b>6,804,853</b>
2023	6,571,694	198,269	<b>6,769,963</b>
2024	6,238,564	157,451	<b>6,396,015</b>
2025	5,649,875	117,874	<b>5,767,749</b>

The premises base rent payments include a lease with monthly rent of \$23,033, that is cancellable with 60 days' notice and without penalty.

ABC Ltd has issued, through ATB Financial, an irrevocable letter of credit to a landlord in the amount of \$275,000 in support of ABC Ltd's commitments under the terms of a lease agreement. The letter of credit can be drawn down by the landlord if ABC Ltd does not fulfill its commitments under the lease. The letter of credit is renewable for one year and is fully secured by a restricted investment (note 3).

ABC Ltd has been named in a lawsuit by a former landlord claiming certain costs, penalties and damages pertaining to a lease that terminated in 2017. ABC Ltd has filed a Statement of Defense denying all allegations. The final outcome of the lawsuit is not presently determinable.

**11. Financial risks and concentration of credit risk****(a) Credit risk**

Credit risk arises from the possibility that the entities to which ABC Ltd sells products may experience financial difficulty and be unable to fulfill their contractual obligations. This risk is mitigated by proactive credit management policies that include regular monitoring of the debtor's payment history and performance. Substantially all of ABC Ltd's commercial sales are settled at the transaction date.

**(b) Interest rate risk**

Interest rate risk relates to the floating interest rate on the demand operating loan. As at December 31, 2020, the demand operating loan had a Nil balance. In management's opinion, ABC Ltd is not exposed to significant interest rate risk. The interest rate on the callable and long-term debt is fixed for the term of the loans.

**(c) Foreign currency risk**

Foreign currency risk relates to holding funds in a US or other foreign bank account used to pay US or other foreign suppliers. In management's opinion, ABC Ltd is not exposed to significant foreign currency risk.

**(d) Liquidity risk**

ABC Ltd monitors and manages its liquidity risk to ensure it has access to sufficient funds to meet operational, investing and financing requirements.



**Notes to Financial Statements**

Year ended December 31, 2020

**11. Financial risks and concentration of credit risk (continued)**

## (d) Liquidity risk (continued)

Subject to the impacts of COVID-19 (note 13), Management is confident that future cash flows from operations and the availability of credit under existing credit arrangements is adequate to support ABC Ltd's financial liquidity needs under normal and stressed conditions. Available sources of liquidity include a revolving credit facility of up to \$1,000,000, available term loans of \$650,000 and additional debt availability of \$800,000.

**12. Operating expenses**

Further details of operating expenses include the following:

	2020	2019
Human resource costs		
Salaries and wages	\$ 13,299,298	\$ 16,805,178
Employee benefits	1,522,499	1,851,823
Contracted labour	124,444	156,838
Training, recruitment and other costs	101,164	143,890
	<b>15,047,405</b>	<b>\$ 18,957,729</b>
Occupancy costs		
Rent and other occupancy costs	\$ 8,060,354	\$ 7,500,417
Repairs and maintenance	629,625	767,056
Utilities	443,371	457,068
Telephone and communications	183,334	168,721
Insurance	143,506	130,837
Security guard services	60,867	198,894
	<b>\$ 9,521,057</b>	<b>\$ 9,222,993</b>
Other operating costs		
Audit and professional fees	\$ 345,846	\$ 392,821
Vehicle leases, rent, fuel and other	311,684	403,088
Disposal fees	232,651	274,150
Advertising and promotion	209,147	419,069
Bank charges and interest	182,746	263,637
Fees and other dues	156,159	183,560
Affiliation dues	76,221	81,022
Interest on long-term debt	72,147	93,249
Travel	49,724	89,748
Interest on callable debt	18,690	11,297
Postage and delivery	10,002	15,013
	<b>\$ 1,665,017</b>	<b>\$ 2,226,654</b>
Materials costs		
Supplies	\$ 1,039,667	\$ 1,094,652
Pandemic supplies (note 13)	111,518	-
Materials	16,646	50,233
	<b>\$ 1,167,831</b>	<b>\$ 1,144,885</b>

**Notes to Financial Statements**Year ended December 31, 2020

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**13. Impacts of COVID-19**

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. The Government of Alberta subsequently announced a state of public health emergency related to the spread of the COVID-19 virus and implemented a Public Health Order restricting certain businesses and forcing workplace closures to protect the public and limit the virus spread. ABC Ltd's operations were deemed non-essential and all operations were temporarily closed for approximately two months. Operations were gradually resumed following the announced phased re-opening strategy. Operations remained subject to certain varying restrictions through the rest of the year. Additional pandemic supply costs were incurred to comply with public health restrictions and recommendations. The situation is dynamic and the ultimate duration and magnitude of the ABC Ltd on the economy and the financial effect to ABC Ltd is not known at this time. Estimates and judgments made by management in the preparation of these financial statements may be subject to a higher degree of measurement uncertainty during this volatile period.

ABC Ltd took actions to manage its financial position by temporarily laying off staff, closing sites and reducing operating and planned capital expenditures. ABC Ltd negotiated deferrals on payments for most leases and vendors with some payments on leases extended through to 2021. All other operating expense deferrals were paid within the year. Remaining deferrals are included in accounts payable and accrued liabilities (note 5). ATB and ASEV both deferred scheduled loan payments resulting in the extension of the repayment terms by three and six months respectively. No lease or debt terms and conditions were significantly changed that would have resulted in extinguishment and reissue of the related liability.

ABC Ltd was eligible for and recognized revenue under following federal subsidy programs:

- ↯ Canada Temporary Wage Subsidy - \$25,000;
- ↯ Canada Emergency Wage Subsidy - \$2,193,914 of which \$155,775 is included in accounts receivable;
- ↯ Canada Emergency Rent Subsidy - \$76,800 of which \$76,800 is included in accounts receivable.

Amounts received or receivable under these programs are subject to verification and may be subject to adjustment. Any adjustments will be reflected in the period in which the adjustment is made.

ABC Ltd has assessed its non-financial assets including property and equipment and right to use assets for impairment in light of the adverse economic environment caused by the COVID-19 pandemic and determined there are no indicators of impairment as of December 31, 2020.