

**Edmonton Heritage Council Society**  
**Financial Statements**  
**December 31, 2015**

# RAMSAY & COMPANY LLP

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## INDEPENDENT AUDITOR'S REPORT

To the Members of:  
The Edmonton Heritage Council Society

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Edmonton Heritage Council Society, which comprise the statement of financial position at December 31, 2015, and the statements of operations and changes in fund balance, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Basis for Qualified Opinion**

In common with many not-for-profit organizations, the Society derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenditures, assets and fund balances.

### **Qualified Opinion**

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the Edmonton Heritage Council Society as at December 31, 2015, 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.

Edmonton, Alberta  
April 6, 2016


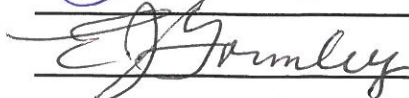


Chartered Accountants

**Edmonton Heritage Council Society**  
**Statement of Financial Position**  
**December 31, 2015**

	<u>2015</u>	<u>2014</u>
<b><u>ASSETS</u></b>		
<b>General Fund</b>		
Cash	\$ 33,115	\$ -
Accounts receivable (Note 6)	6,571	6,202
Due from Property and Equipment Fund (Note 8)	-	146,931
	<u>39,686</u>	<u>153,133</u>
<b>Casino Fund</b>		
Cash	<u>69,576</u>	<u>80,807</u>
<b>Program Fund</b>		
Cash	274,480	410,746
Due from General Fund (Note 8)	-	30,293
	<u>274,480</u>	<u>441,039</u>
<b>Property and Equipment Fund</b>		
Property and equipment (Note 2)	<u>211,755</u>	<u>149,917</u>
	<u>\$ 595,497</u>	<u>\$ 824,896</u>
<b><u>LIABILITIES</u></b>		
<b>General Fund</b>		
Accounts payable	\$ 38,570	\$ 99,029
Due to Program Fund (Note 8)	-	30,293
	<u>38,570</u>	<u>129,322</u>
<b>Program Fund</b>		
Accounts payable	<u>-</u>	<u>1,050</u>
<b>Property and Equipment Fund</b>		
Due to General Fund (Note 8)	-	146,931
Alberta Social Enterprise Venture Fund note payable (Note 7)	196,335	-
	<u>196,335</u>	<u>146,931</u>
	<u>234,905</u>	<u>277,303</u>
<b><u>FUND BALANCES</u></b>		
<b>General Fund</b>	1,116	23,811
<b>Casino Fund</b>	69,576	80,807
<b>Program Fund</b>	274,480	439,989
<b>Property and Equipment Fund</b>	<u>15,420</u>	<u>2,986</u>
	<u>360,592</u>	<u>547,593</u>
	<u>\$ 595,497</u>	<u>\$ 824,896</u>

Approved on behalf of the Board

 Director  
 Director

**Edmonton Heritage Council Society**  
**Statement of Operations and Changes in Fund Balance**  
**For the year ended December 31, 2015**

	<u>2015</u>	<u>2014</u>
<b>GENERAL FUND</b>		
Revenue		
Administration revenue	\$ 67,500	\$ 61,100
City of Edmonton - contract for service (Note 4)	292,330	282,010
Donations	105	525
Interest income and other	11,313	2,902
Memberships	<u>2,225</u>	<u>2,815</u>
	<u>373,473</u>	<u>349,352</u>
Expenditures		
Advertising and promotion	7,638	3,118
Bank charges and interest	9,043	284
Board of Directors and Annual General Meeting	19,724	13,246
Conferences and travel	3,446	2,915
Dues, memberships and fees	695	828
Event production	671	1,792
Goods and service tax	6,571	6,202
Honorariums	3,638	4,350
Insurance	2,919	1,584
Office costs	15,158	5,295
Professional development	4,751	5,513
Professional fees	15,665	12,160
Program costs	4,543	4,955
Rent	30,093	23,789
Sponsorships	11,913	4,650
Staffing costs and benefits	220,278	243,664
Subcontractors	2,400	10,734
Telephone, internet and website	<u>5,144</u>	<u>7,708</u>
	<u>364,290</u>	<u>352,787</u>
Excess (deficiency) of revenue over expenditures	9,183	(3,435)
Transfer to Property and Equipment Fund	(43,029)	(1,920)
Transfer to Program Fund	-	(49,685)
Transfer from Casino Fund	<u>11,151</u>	<u>-</u>
Fund balance, beginning of year	<u>23,811</u>	<u>78,851</u>
Fund balance, end of year	<u>\$ 1,116</u>	<u>\$ 23,811</u>

**Edmonton Heritage Council Society**  
**Statement of Operations and Changes in Fund Balance**  
**For the year ended December 31, 2015**

	<u>2015</u>	<u>2014</u>
<b>CASINO FUND</b>		
Revenue		
Casino revenue	\$ -	\$ 82,856
Expenditures		
Bank charges	80	64
Casino expenditures	<u>-</u>	<u>1,985</u>
	<u>80</u>	<u>2,049</u>
Excess (deficiency) of revenue over expenditures	(80)	80,807
Transfers to general fund	(11,151)	-
Fund balance, beginning of year	<u>80,807</u>	<u>-</u>
Fund balance, end of year	<u>\$ 69,576</u>	<u>\$ 80,807</u>

**PROGRAM FUND**

Revenue		
City of Edmonton - City Museum Strategy	\$ 9,308	\$ 253,562
City of Edmonton - Community Investment Program Grants	595,000	281,000
Living Local Arts & Heritage grant project	80,000	80,000
Other program revenue	<u>500</u>	<u>-</u>
	<u>684,808</u>	<u>614,562</u>
Expenditures		
Administration expense	67,500	61,100
City Museum Strategy (Note 5)	216,793	114,509
Community Investment Program Grants	504,846	310,905
Living Local Arts & Heritage grant project	51,957	59,543
Map Project	<u>9,221</u>	<u>20,554</u>
	<u>850,317</u>	<u>566,611</u>
Excess (deficiency) of revenue over expenditures	(165,509)	47,951
Transfer from General Fund	-	49,685
Fund balance, beginning of year	<u>439,989</u>	<u>342,353</u>
Fund balance, end of year	<u>\$ 274,480</u>	<u>\$ 439,989</u>

**PROPERTY AND EQUIPMENT FUND**

Expenditures		
Amortization	\$ 30,595	\$ 10,830
Excess (deficiency) of revenue over expenditures	(30,595)	(10,830)
Transfer from General Fund	43,029	1,920
Fund balance, beginning of year	<u>2,986</u>	<u>11,896</u>
Fund balance, end of year	<u>\$ 15,420</u>	<u>\$ 2,986</u>

**Edmonton Heritage Council Society**  
**Statement of Cash Flows**  
**For the year ended December 31, 2015**

	<u>2015</u>	<u>2014</u>
<b>GENERAL FUND</b>		
Net inflow (outflow) of cash related to the following activities:		
Operating activities		
Excess (deficiency) of revenue over expenditures	\$ 9,183	\$ (3,435)
Change in non-cash balances relating to operations		
Accounts receivable	(369)	(4,015)
Accounts payable	<u>(60,459)</u>	<u>82,363</u>
	<u>(51,645)</u>	<u>74,913</u>
Financing activities		
Advances to Property and Equipment Fund	146,931	(146,931)
Transfer to Property and Equipment Fund	(43,029)	(1,920)
Transfer from Casino Fund	11,151	-
Transfer to Program Fund	-	(49,685)
Advances from Program Fund	<u>(30,293)</u>	<u>30,293</u>
	<u>84,760</u>	<u>(168,243)</u>
Increase (decrease) in cash	33,115	(93,330)
Cash, beginning of year	<u>-</u>	<u>93,330</u>
Cash, end of year	<u>\$ 33,115</u>	<u>\$ -</u>

**Edmonton Heritage Council Society**  
**Notes to Financial Statements**  
**For the year ended December 31, 2015**

**Nature of Operations**

The Edmonton Heritage Council Society (EHC) was incorporated under the Societies Act in the Province of Alberta on November 6, 2009 and commenced operations on January 1, 2010.

The EHC works within an overarching annual Contract for Service with the City of Edmonton to develop programs and projects that bring heritage closer to the community and create valuable dialogue and engagement around heritage and culture. Projects and Programs that fulfilled this mandate in 2015 were the Edmonton Museum Strategy, Living Local Arts & Heritage grant project, Heritage Community Investment Program Grants, Edmonton Maps Heritage, and public and member events.

The Society exists with the following objectives:

- To establish heritage programs and activities in Edmonton and to educate the public on heritage related topics, events and programs at the local, regional and national level to increase the recognition and awareness of heritage as a vital component of the Edmonton community and economy.
- To direct community investment grant funds from the City of Edmonton to heritage organizations, which are qualified donees, or heritage organizations where the society directs and controls the use of the investment grant funds to ensure that such funds are used in accordance with its objectives.
- To provide advice, consultation and recommendations to the Council of the City of Edmonton and Senior Administration and to other stakeholders regarding heritage related policies, practices and programs.

The Society follows the restricted fund method of accounting and the operations of the Society are organized into project funds. A summary of each of the funds is as follows:

**General Fund**

The costs of administering the Society and the costs of improving or expanding the Society are recorded in this fund. Donations which have not been designated by the donor for the Program Fund are placed in the General Fund.

**Program Fund**

The Edmonton Heritage Council Society strives to complement and support the programs of the heritage and cultural community and not to duplicate or compete with them. EHC works on individual project contracts with the City of Edmonton developing projects and programs to advance specific strategic goals outlined in the Art of Living Cultural Plan, such as Heritage Community Investment Grant program and the Edmonton Museums Strategy, which includes a comprehensive museum strategy for Edmonton and development of a city museum.

**Property and Equipment Fund**

The Property and Equipment Fund was established to collect and disburse funds on capital projects undertaken by the EHC and to maintain the assets, liabilities, revenues and expenses related to the Society's property and equipment.

**Casino Fund**

The Casino Fund was set up in response to the Alberta Gaming Commission's requirement to have a separate account to receive proceeds from casinos managed by the Society. Funds from this account can only be spent in areas designated in each casino application. The Society currently will hold a fundraising casino every two years.



**Edmonton Heritage Council Society**  
**Notes to Financial Statements**  
**For the year ended December 31, 2015**

**Note 1: Significant Accounting Policies**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The following is a summary of significant accounting policies adopted by the Society in the preparation of the financial statements.

Cash

Cash includes cash on hand and deposits held with banks.

Revenue Recognition

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the events giving rise to the contribution have occurred. If a separate fund does not exist, the restricted contribution will be recorded as part of the General Fund and will be deferred and recognized as revenue when the related expenses are incurred. Unrestricted contributions are recognized as revenue of the General Fund in the year received.

Property and Equipment

Property and equipment are recorded at cost. Amortization is calculated using the following rates and methods over the assets estimated useful life:

Computer equipment and website	30%	Declining balance
Leasehold improvements	term of lease	Straight-line
Office equipment	20%	Declining balance

Contributed Services

Contributed services of volunteers are not recognized as revenue in these financial statements because their fair value cannot be reasonably determined.

Contributed Goods

The EHC only records non-cash donations when a charitable receipt is issued. These donations are recorded at the fair value of the items received.

Income Taxes

The Society is a not-for-profit organization incorporated under the Societies Act of the Province of Alberta and, as such, is exempt from income taxes under Section 149(1) of the Income Tax Act of Canada.

Use of Estimates

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 amount of assets and liabilities at the date of the financial statements and the reported amount of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

Items subject to significant management estimates include valuation of receivables, accounts payable and accrued liabilities and amortization.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial instruments with actively traded markets are reported at fair value, with unrealized gains and losses reported in the statement of 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 issuance of financial instruments are expensed when incurred. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at amortized cost.



**Edmonton Heritage Council Society**  
**Notes to Financial Statements**  
**For the year ended December 31, 2015**

**Note 1: Significant Accounting Policies (continued)**

Long-lived Assets

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

The Society performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in earnings for the year.

**Note 2: Property and Equipment**

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2015 Net Book Value</u>	<u>2014 Net Book Value</u>
Computer equipment and website	\$ 18,932	\$ 9,396	\$ 9,536	\$ 9,959
Office equipment	46,715	12,592	34,123	39,604
Leasehold improvements	189,632	21,536	168,096	100,354
	<u>\$ 255,279</u>	<u>43,524</u>	<u>\$ 211,755</u>	<u>\$ 149,917</u>

**Note 3: Financial Instruments**

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Society is exposed to credit risk in respect to its cash and accounts receivable balances. Cash is held at major financial institutions minimizing any potential exposure to credit risk. It is management's opinion that the risk related to accounts receivable is minimal since the Society only deals with what management believes to be financially sound counterparts and, accordingly does not anticipate significant loss for non-performance.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its receipts from its funders, accounts payable, and promissory note payable.

**Note 4: Economic Dependence**

Ongoing operations of the EHC are dependent upon receiving continuing funding from the City of Edmonton. The current service agreement expires December 31, 2018. The City of Edmonton may cancel the funding agreement with sixty days notice.

**Note 5: Allocated Expenditures**

Certain staffing costs are recorded in the General Fund and then allocated to other funds based on staff time used by each fund. Included in City Museum Strategy expenditures in the Program Fund is \$111,880 (2014 - \$47,475) of staffing costs and benefits allocated from the General Fund.

**Edmonton Heritage Council Society**  
**Notes to Financial Statements**  
**For the year ended December 31, 2015**

**Note 6: Accounts Receivable**

As of December 31, 2015, accounts receivable includes \$6,571 (2014 - \$6,202) of Goods and Services Tax receivable from the federal government.

**Note 7: Alberta Social Enterprise Venture Fund Note Payable**

	<u>2015</u>	<u>2014</u>
Alberta Social Enterprise Venture Fund promissory note repayable in monthly payments of \$2,245 including interest at 5.0%. Secured by promissory note payable, due 2025.	\$ <u>196,335</u>	\$ <u>-</u>

Principal repayments on note payable subsequent to December 31, 2015 is estimated as follows:

2016	\$ 17,533
2017	18,430
2018	19,373
2019	20,364
2020 and thereafter	<u>120,635</u>
	<u>\$ 196,335</u>

**Note 8: Amounts Due Between Funds**

Amounts due between Funds are unsecured, non-interest bearing and have no formal repayment terms.

**Note 9: Comparative Figures**

Certain comparative figures have been reclassified to conform with current year presentation.