

EDMONTON HERITAGE COUNCIL SOCIETY
Financial Statements
For The Year Ended December 31, 2017

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Edmonton Heritage Council Society have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

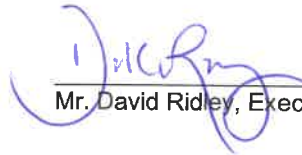
The integrity and reliability of Edmonton Heritage Council Society's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board and meets periodically with management and the members' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Audit Committee reports to the Board of Directors prior to its approval of the financial statements. The Committee also considers, for review by the Board and approval by the members, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the members by Metrix Group LLP, in accordance with Canadian accounting standards for not-for-profit organizations.



Mr. Arundeeep Singh Sandhu, Chair,
Accountability & Audit Committee



Mr. David Ridley, Executive Director

Edmonton, AB
April 04, 2018

INDEPENDENT AUDITORS' REPORT

To the Members of Edmonton Heritage Council Society

We have audited the accompanying financial statements of Edmonton Heritage Council Society, which comprise the statement of financial position as at December 31, 2017 and the statements of operations, changes in fund balances 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.

Auditors' 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.

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Independent Auditors' Report to the Members of Edmonton Heritage Council Society *(continued)*

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Edmonton Heritage Council Society as at December 31, 2017 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.

Other Matter

The financial statements of Edmonton Heritage Council Society for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on April 5, 2017.

Chartered Professional Accountants

April 4, 2018
Edmonton, Alberta

EDMONTON HERITAGE COUNCIL SOCIETY
Statement of Financial Position
As at December 31, 2017

	General Fund 2017	Casino Fund 2017	Tangible Capital Asset Fund 2017	HCIP & Program Fund 2017	Total 2017	Total 2016
ASSETS						
CURRENT						
Cash	\$ 8,044	\$ 42,434	\$ -	\$ 117,253	\$ 167,731	\$ 156,098
Accounts receivable (Note 2)	1,853	-	-	25,100	26,953	2,149
	9,897	42,434	-	142,353	194,684	158,247
TANGIBLE CAPITAL ASSETS (Note 4)	-	-	161,957	-	161,957	188,343
	\$ 9,897	\$ 42,434	\$ 161,957	\$ 142,353	\$ 356,641	\$ 346,590
LIABILITIES						
CURRENT						
Accounts payable and accrued liabilities (Note 5)	\$ 9,991	\$ -	\$ -	\$ -	\$ 9,991	\$ 10,363
Current portion of long term debt (Note 6)	-	-	19,373	-	19,373	18,430
	9,991	-	19,373	-	29,364	28,793
LONG TERM DEBT (Note 6)	-	-	141,028	-	141,028	160,387
	9,991	-	160,401	-	170,392	189,180
	(94)	42,434	1,556	142,353	186,249	157,410
	\$ 9,897	\$ 42,434	\$ 161,957	\$ 142,353	\$ 356,641	\$ 346,590

ON BEHALF OF THE BOARD

Director

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

EDMONTON HERITAGE COUNCIL SOCIETY
Statement of Operations
For The Year Ended December 31, 2017

	General Fund 2017	Casino Fund 2017	Tangible Capital Asset Fund 2017	HCIP & Program Fund (Schedule 1) 2017	Total 2017	Total 2016
REVENUES						
Grants (Note 7)	\$ 445,524	\$ -	\$ -	\$ 870,889	\$ 1,316,413	\$ 984,887
Rent	7,824	-	-	-	7,824	7,824
Membership fees	2,948	-	-	-	2,948	3,246
Interest	1,643	-	-	-	1,643	2,213
Other	1,220	-	-	-	1,220	8,304
Symposium	-	-	-	-	-	6,100
Donations	-	-	-	-	-	825
Casino	-	-	-	-	-	77,377
	459,159	-	-	870,889	1,330,048	1,090,776
EXPENSES						
Transfers to other organizations	8,938	-	-	621,945	630,883	608,646
Salaries, wages and benefits	299,503	-	-	83,869	383,372	381,511
Advertising and promotion	5,718	13,003	-	43,962	62,683	35,815
Professional fees	6,868	-	-	54,860	61,728	41,600
Honorariums	13,653	-	-	25,285	38,938	12,100
Amortization	-	-	28,281	-	28,281	29,573
Meetings and conventions	6,695	8,499	-	5,069	20,263	11,506
Office	26,346	975	-	3,480	30,801	24,781
Rent	7,134	8,717	-	-	15,851	26,877
Administration fees	180	-	-	-	180	60,712
Interest and bank charges	1,076	121	8,522	107	9,826	9,734
Board of directors	7,172	-	-	-	7,172	9,626
Events	1,888	889	-	2,024	4,801	29,527
Insurance	2,951	-	-	-	2,951	3,035
Travel	2,862	-	-	-	2,862	8,022
Dues, memberships and fees	617	-	-	-	617	893
	391,601	32,204	36,803	840,601	1,301,209	1,293,958
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 67,558	\$ (32,204)	\$ (36,803)	\$ 30,288	\$ 28,839	\$ (203,182)

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

EDMONTON HERITAGE COUNCIL SOCIETY
Statement of Changes in Fund Balances
For The Year Ended December 31, 2017

	General Fund	Casino Fund	Tangible Capital Asset Fund	HCIP & Program Fund	2017	2016
FUND BALANCES - BEGINNING OF YEAR	\$ (38,819)	\$ 74,638	\$ 9,526	\$ 112,065	\$ 157,410	\$ 360,592
Excess (deficiency) of revenue over expenses	67,558	(32,204)	(36,803)	30,288	28,839	(203,182)
Interfund transfer (Note 8)	(28,833)	-	28,833	-	-	-
FUND BALANCES - END OF YEAR	\$ (94)	\$ 42,434	\$ 1,556	\$ 142,353	\$ 186,249	\$ 157,410

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

EDMONTON HERITAGE COUNCIL SOCIETY
Statement of Cash Flows
For The Year Ended December 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 28,839	\$ (203,182)
Item not affecting cash:		
Amortization	28,281	29,573
	<u>57,120</u>	<u>(173,609)</u>
Changes in non-cash working capital:		
Accounts receivable	(24,804)	4,422
Accounts payable and accrued liabilities	(373)	(28,206)
	<u>(25,177)</u>	<u>(23,784)</u>
	<u>31,943</u>	<u>(197,393)</u>
INVESTING ACTIVITY		
Purchase of tangible capital assets	(1,894)	(6,162)
FINANCING ACTIVITY		
Repayment of long term debt	(18,416)	(17,518)
INCREASE (DECREASE) IN CASH FLOW	11,633	(221,073)
CASH - BEGINNING OF YEAR	<u>156,098</u>	<u>377,171</u>
CASH - END OF YEAR	\$ 167,731	\$ 156,098

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

EDMONTON HERITAGE COUNCIL SOCIETY

Notes to Financial Statements

For the Year Ended December 31, 2017

PURPOSE OF THE SOCIETY

Edmonton Heritage Council Society (the "Society") is a not-for-profit organization incorporated provincially under the Societies Act of Alberta on November 6, 2009 and commenced operations on January 1, 2010. As a registered charity the Society is exempt from the payment of income tax under Section 149(1) of the Income Tax Act. The Society 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. 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.
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund accounting

Edmonton Heritage Council Society follows the restricted fund method of accounting for contributions.

The General Fund accounts for the Society's administrative activities and operations of common elements and costs of improving or expanding the Society. This fund reports unrestricted donations and operating grants.

The Program Fund tracks individual project contracts entered into with the City of Edmonton. The Society strives to complement and support the programs of the heritage and cultural community and not to duplicate or compete with them. The Society 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.

The Tangible Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the Society's tangible capital assets.

The Casino Fund accounts for proceeds received from casino events managed by the Society and related fundraising casino expenditures. The Casino Fund was set up in response to the Alberta Gaming Commission's requirement to have a separate account to receive proceeds from casino's managed by the Society. The Society currently will hold a fundraising casino every two years.

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EDMONTON HERITAGE COUNCIL SOCIETY

Notes to Financial Statements

For the Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue recognition

Edmonton Heritage Council Society follows the restricted fund method of accounting for contributions.

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund. 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 or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Rent and membership fees are recognized as revenue in the year in which the services were provided.

Interest is recognized as revenue when earned.

Contributed services

The operations of the Society depend on the contribution of time by volunteers. The fair value of donated services cannot be reasonably determined and are therefore not reflected in these financial statements.

Cash

Cash includes cash on hand and deposits held in the bank.

Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives at the following rates and methods:

Computer equipment	30%	declining balance method
Office equipment	20%	declining balance method
Leasehold improvements	term of lease	straight-line method

The Society regularly reviews its tangible capital assets to eliminate obsolete items.

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EDMONTON HERITAGE COUNCIL SOCIETY

Notes to Financial Statements

For the Year Ended December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Measurement of financial instruments

The Society initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instruments.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and long-term debt.

The Society has no financial assets measured at fair value.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Transaction costs

The Society recognizes its transaction costs in net income in the period incurred. However, the carrying amount of the financial instruments that will not be subsequently measured at fair value is reflected in the transaction costs that are directly attributable to their organization, issuance or assumption.

Measurement uncertainty

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of management's estimates include the useful lives of tangible capital assets and the corresponding rates of amortization, recoverability of accounts receivable, and the amount of accrued liabilities. All estimates are periodically reviewed and any adjustments necessary are made to the statement of operations as appropriate in the year they become known.

2. ACCOUNTS RECEIVABLE

	2017	2016
Grant receivable	\$ 25,100	\$ -
Goods and Services Tax recoverable	1,853	2,149
	<u>\$ 26,953</u>	<u>\$ 2,149</u>

EDMONTON HERITAGE COUNCIL SOCIETY**Notes to Financial Statements****For the Year Ended December 31, 2017****3. ADVANCE TO GENERAL FUND**

The advance from the Program Fund to the General Fund bears no interest and has no specific terms of repayment.

4. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Computer equipment	\$ 26,988	\$ 17,039	\$ 9,949	\$ 11,912
Office equipment	46,715	24,877	21,838	27,298
Leasehold improvements	189,632	59,462	130,170	149,133
	<u>\$ 263,335</u>	<u>\$ 101,378</u>	<u>\$ 161,957</u>	<u>\$ 188,343</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Government remittances	\$ 4,776	\$ -
Trade payable	3,971	6,424
Vacation payable	1,244	3,939
	<u>\$ 9,991</u>	<u>\$ 10,363</u>

6. LONG TERM DEBT

	2017	2016
Alberta Social Enterprise Venture Fund loan bearing interest at 5% per annum calculated semi-annually, repayable in monthly blended payments of \$2,245. The loan matures on February 15, 2025 and is secured by the Society's leasehold interest in the Prince of Wales Armouries Heritage Centre.	\$ 160,401	\$ 178,817
Amounts payable within one year	(19,373)	(18,430)
	<u>\$ 141,028</u>	<u>\$ 160,387</u>

Principal repayment terms are approximately:

2018	\$ 19,373
2019	20,364
2020	21,406
2021	22,482
2022	23,632
Thereafter	53,144
	<u>\$ 160,401</u>

EDMONTON HERITAGE COUNCIL SOCIETY
Notes to Financial Statements
For the Year Ended December 31, 2017

7. GRANTS

	2017	2016
City of Edmonton	\$ 1,019,424	\$ 984,887
Edmonton Arts Council Society	111,000	-
Multicultural Health Brokers Cooperative	95,632	-
Vimy 100	49,875	-
Other organizations	40,482	-
	\$ 1,316,413	\$ 984,887

8. INTERFUND TRANSFER

The Society's management carried out the following interfund transfer during the year:

- Transfer from the General Fund to the Tangible Capital Asset Fund for repayment of long-term debt, the payment of interest on long-term debt and the purchase of computer equipment: \$28,833 (\$23,680 in 2016 for the repayment of long-term debt and the payment of interest on long-term debt).

9. ECONOMIC DEPENDENCE

The Society ongoing operations 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 60 days notice.

10. TRANSACTIONS WITH THE CITY OF EDMONTON

The City of Edmonton provides office space to the Society at no charge. The City of Edmonton charges the Society operating and maintenance costs for use of the space. In 2017 the Society paid the City \$15,850 for use of the office space.

11. FINANCIAL INSTRUMENTS

The Society is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Society's risk exposure and concentration as of December 31, 2017.

(a) 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 from grant funders. The Society assesses, on a continuous basis, amounts receivable on the basis of amounts for which ultimate collection is reasonably assured based on their estimated realizable value.

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EDMONTON HERITAGE COUNCIL SOCIETY

Notes to Financial Statements

For the Year Ended December 31, 2017

11. FINANCIAL INSTRUMENTS *(continued)*

(b) 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 accounts payable, and long-term debt. The Society ensures a sufficient cash balance to meet its current obligations through an annual budgeting process.

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Society manages exposure through its normal operating and financing activities. The Society is exposed to interest rate risk primarily through its long term-debt.

Unless otherwise noted, it is management's opinion that the Society is not exposed to significant market, currency or other price risks arising from these financial instruments.

12. COMPARATIVE FIGURES

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

EDMONTON HERITAGE COUNCIL SOCIETY
Schedule of Programs
Year Ended December 31, 2017

(Schedule 1)

	Heritage Community Investment Program (HCIP)	Canada 150 Program	Museum Strategy	Vimy 100	Other	2017
REVENUES						
Grants	\$ 627,400	\$ 95,632	\$ 62,882	\$ 49,875	\$ 35,100	\$ 870,889
EXPENSES						
Transfer to other organizations	611,945	-	-	-	10,000	621,945
Salaries and wages	-	37,765	36,890	-	9,214	83,869
Professional fees	675	40,000	-	-	15,138	55,813
Advertising and promotion	-	738	7,000	35,717	507	43,962
Honorariums	-	15,000	-	8,685	1,600	25,285
Meetings and conventions	-	1,115	2,882	991	81	5,069
Office	-	1,014	29	2,383	54	3,480
Events	-	-	-	1,992	32	2,024
Interest and bank charges	-	-	-	107	-	107
	612,620	95,632	46,801	49,875	36,626	841,554
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 14,780	\$ -	\$ 16,081	\$ -	\$ (1,526)	\$ 29,335

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