

Edmonton Heritage Council Society
Financial Statements
December 31, 2016

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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, 2016, 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, 2016, 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 5, 2017



Chartered Accountants

Edmonton Heritage Council Society
Statement of Financial Position
December 31, 2016

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
General Fund		
Cash	\$ -	\$ 33,115
Accounts receivable (Note 6)	<u>2,149</u>	<u>6,571</u>
	<u>2,149</u>	<u>39,686</u>
Casino Fund		
Cash	<u>74,806</u>	<u>69,576</u>
Program Fund		
Cash	81,292	274,480
Due from General Fund (Note 8)	<u>30,818</u>	<u>-</u>
	<u>112,110</u>	<u>274,480</u>
Property and Equipment Fund		
Property and equipment (Note 2)	<u>188,343</u>	<u>211,754</u>
	<u>\$ 377,408</u>	<u>\$ 595,496</u>
<u>LIABILITIES</u>		
General Fund		
Accounts payable	\$ 10,150	\$ 38,569
Due to Program Fund (Note 8)	<u>30,818</u>	<u>-</u>
	<u>40,968</u>	<u>38,569</u>
Casino Fund		
Accounts payable	<u>168</u>	<u>-</u>
Program Fund		
Accounts payable	<u>45</u>	<u>-</u>
Property and Equipment Fund		
Alberta Social Enterprise Venture Fund note payable (Note 7)	<u>178,817</u>	<u>196,335</u>
	<u>219,998</u>	<u>234,904</u>
<u>FUND BALANCES</u>		
General Fund	(38,819)	1,117
Casino Fund	74,638	69,576
Program Fund	112,065	274,480
Property and Equipment Fund	<u>9,526</u>	<u>15,419</u>
	<u>157,410</u>	<u>360,592</u>
	<u>\$ 377,408</u>	<u>\$ 595,496</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, 2016

	<u>2016</u>	<u>2015</u>
GENERAL FUND		
Revenue		
Administration revenue	\$ 59,500	\$ 67,500
City of Edmonton - contract for service (Note 4)	330,387	292,330
Donations	825	105
Interest income and other	18,341	11,313
Memberships	3,246	2,225
Symposium	6,100	-
	<u>418,399</u>	<u>373,473</u>
Expenditures		
Advertising and promotion	7,188	7,638
Bank charges and interest	9,591	9,043
Board of Directors and Annual General Meeting	15,767	19,724
Conferences and travel	9,783	3,446
Dues, memberships and fees	645	695
Event production	2,400	671
Goods and service tax	4,768	6,571
Honorariums	12,100	3,638
Insurance	3,035	2,919
Office costs	10,494	15,158
Professional development	3,981	4,751
Professional fees	17,128	15,665
Program costs	9,276	4,543
Rent	26,341	30,093
Sponsorships	20,039	11,913
Staffing costs and benefits	283,883	220,278
Subcontractors	-	2,400
Symposium	26,537	-
Telephone, internet and website	10,660	5,144
	<u>473,616</u>	<u>364,290</u>
Excess (deficiency) of revenue over expenditures	(55,217)	9,183
Transfer to Property and Equipment Fund	(23,680)	(43,028)
Transfer to Program Fund	(5,957)	-
Transfer from Casino Fund	<u>44,918</u>	<u>11,151</u>
Net increase (decrease) in Fund balance	(39,936)	(22,694)
Fund balance, beginning of year	<u>1,117</u>	<u>23,811</u>
Fund balance (deficit), end of year	<u>\$ (38,819)</u>	<u>\$ 1,117</u>

Edmonton Heritage Council Society
Statement of Operations and Changes in Fund Balance
For the year ended December 31, 2016

	<u>2016</u>	<u>2015</u>
CASINO FUND		
Revenue		
Casino revenue	\$ <u>77,377</u>	\$ <u>-</u>
Expenditures		
Bank charges	<u>143</u>	<u>80</u>
Excess (deficiency) of revenue over expenditures	77,234	(80)
Transfers to general fund	(44,918)	(11,151)
Transfers to program fund	<u>(27,254)</u>	<u>-</u>
Net increase (decrease) in Fund balance	5,062	(11,231)
Fund balance, beginning of year	<u>69,576</u>	<u>80,807</u>
Fund balance, end of year	<u>\$ 74,638</u>	<u>\$ 69,576</u>
PROGRAM FUND		
Revenue		
City Museum Strategy	\$ -	\$ 9,308
Community Investment Program Grants	595,000	595,000
Living Local Arts & Heritage grant project	-	80,000
Other program revenue	-	500
	<u>595,000</u>	<u>684,808</u>
Expenditures		
Administration expense	59,500	67,500
City Museum Strategy (Note 5)	152,149	216,793
Community Investment Program Grants	412,527	504,846
Living Local Arts & Heritage grant project	40,420	51,957
Map Project	13,030	9,221
Repayment of unused Living Local Arts & Heritage grant project	113,000	-
	<u>790,626</u>	<u>850,317</u>
Excess (deficiency) of revenue over expenditures	(195,626)	(165,509)
Transfer from casino fund	27,254	-
Transfer from General Fund	<u>5,957</u>	<u>-</u>
Net increase (decrease) in Fund balance	(162,415)	(165,509)
Fund balance, beginning of year	<u>274,480</u>	<u>439,989</u>
Fund balance, end of year	<u>\$ 112,065</u>	<u>\$ 274,480</u>

Edmonton Heritage Council Society
Statement of Operations and Changes in Fund Balance
For the year ended December 31, 2016

	<u>2016</u>	<u>2015</u>
PROPERTY AND EQUIPMENT FUND		
Expenditures		
Amortization	\$ <u>29,573</u>	\$ <u>30,595</u>
Excess (deficiency) of revenue over expenditures	(29,573)	(30,595)
Transfer from General Fund	<u>23,680</u>	<u>43,028</u>
Net increase In Fund balance	53,253	73,623
Fund balance, beginning of year	<u>15,419</u>	<u>2,986</u>
Fund balance, end of year	\$ <u><u>9,526</u></u>	\$ <u><u>15,419</u></u>

Edmonton Heritage Council Society
Statement of Cash Flows
For the year ended December 31, 2016

2016

2015

GENERAL FUND

Net inflow (outflow) of cash related to the following activities:

Operating activities

Excess (deficiency) of revenue over expenditures	\$ (55,217)	\$ 9,183
Change in non-cash balances relating to operations		
Accounts receivable	4,422	(369)
Accounts payable	(28,419)	(60,459)
Due to Program Fund	<u>30,818</u>	<u>-</u>
	<u>(48,396)</u>	<u>(51,645)</u>

Financing activities

Transfer from Property and Equipment Fund	-	146,931
Transfer to Property and Equipment Fund	(23,680)	(43,029)
Transfer from Casino Fund	44,918	11,151
Transfer to Program Fund	<u>(5,957)</u>	<u>(30,293)</u>
	<u>15,281</u>	<u>84,760</u>

Increase (decrease) in cash	(33,115)	33,115
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Cash, beginning of year	<u>33,115</u>	<u>-</u>
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Cash, end of year	<u>\$ -</u>	<u>\$ 33,115</u>
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Edmonton Heritage Council Society
Notes to Financial Statements
For the year ended December 31, 2016

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 2016 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, 2016

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, 2016

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>2016 Net Book Value</u>	<u>2015 Net Book Value</u>
Computer equipment and website	\$ 25,093	\$ 13,181	\$ 11,912	\$ 9,536
Office equipment	46,715	19,417	27,298	34,122
Leasehold improvements	<u>189,632</u>	<u>40,499</u>	<u>149,133</u>	<u>168,096</u>
	<u>\$ 261,440</u>	<u>73,097</u>	<u>\$ 188,343</u>	<u>\$ 211,754</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 \$93,567 (2015 - \$111,880) of staffing costs and benefits allocated from the General Fund.

Edmonton Heritage Council Society
Notes to Financial Statements
For the year ended December 31, 2016

Note 6: Accounts Receivable

As of December 31, 2016, accounts receivable includes \$2,149 (2015 - \$6,571) of Goods and Services Tax receivable from the federal government.

Note 7: Alberta Social Enterprise Venture Fund Note Payable

	<u>2016</u>	<u>2015</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 2024.	\$ <u>178,817</u>	\$ <u>196,335</u>

Principal repayments on note payable subsequent to December 31, 2016 is estimated as follows:

2017	\$	18,430
2018		19,373
2019		20,364
2020		21,406
2021 and thereafter		<u>99,244</u>
	\$	<u>178,817</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.