

HERITAGE AGRICULTURAL SOCIETY

Financial Statements

For the Year Ended October 31, 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Members of Heritage Agricultural Society

The management of Heritage Agricultural Society prepared these financial statements and is responsible for their reliability, completeness and integrity. They conform in all material respects to Canadian accounting standards for not-for-profit.

Management maintains the necessary accounting and internal control systems designed to ensure: the timely production of reliable and accurate financial information, the protection of assets (to a reasonable extent) against loss or unauthorized use, and the promotion of operational efficiency. The Board of Directors oversees management's responsibilities for the financial reporting and internal control systems.

The auditors, appointed by the membership, conducted an audit of these financial statements in accordance with Canadian generally accepted auditing standards. The President and Vice President reviewed these financial statements with the auditors in detail before recommending their approval to the Board of Directors.

Stony Plain, Alberta
January 9, 2015

Locksley McGann, President

Debi Mills, Vice President

INDEPENDENT AUDITOR'S REPORT

To the Members of Heritage Agricultural Society

We have audited the accompanying financial statements of Heritage Agricultural Society, which comprise the statement of financial position as at October 31, 2014 and the statements of revenues and expenditures, changes in net assets and cash flow 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.

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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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Heritage Agricultural Society as at October 31, 2014 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads "Hawkings Epp Dumont LLP". The signature is written in a cursive, flowing style.

Stony Plain, Alberta
January 9, 2015

Hawkings Epp Dumont LLP
Chartered Accountants

HERITAGE AGRICULTURAL SOCIETY
Statement of Financial Position
As At October 31, 2014

	2014	2013
ASSETS		
CURRENT		
Cash	\$ -	\$ 89,884
Edmonton Community Foundation investment	31,518	28,334
Accounts receivable	15,700	40,043
Marketable securities	10,138	33,995
Inventory	48,911	64,058
Goods and services tax recoverable	4,935	-
Prepaid expenses	-	119
	<u>111,202</u>	256,433
LONG TERM INVESTMENTS	41,609	41,609
PROPERTY AND EQUIPMENT (Note 8)	343,805	309,834
	<u>\$ 496,616</u>	<u>\$ 607,876</u>
LIABILITIES		
CURRENT		
Bank indebtedness	\$ 42,350	\$ -
Accounts payable	26,793	16,013
Goods and services tax payable	-	1,054
Wages payable	18,632	15,288
	<u>87,775</u>	32,355
DEFERRED REVENUE	119,789	119,275
	<u>207,564</u>	151,630
NET ASSETS		
General fund	(54,753)	146,412
Invested in property and equipment	343,805	309,834
	<u>289,052</u>	456,246
	<u>\$ 496,616</u>	<u>\$ 607,876</u>

ON BEHALF OF THE BOARD

Director

Director

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

HERITAGE AGRICULTURAL SOCIETY
Statement of Revenues and Expenditures
For The Year Ended October 31, 2014

	2014	2013
REVENUE		
Provincial and other grants <i>(Schedule 1)</i>	\$ 234,391	\$ 238,012
Homesteaders kitchen <i>(Schedule 2)</i>	161,710	264,914
Cultural services <i>(Schedule 3)</i>	137,353	108,276
Municipal grants	131,800	136,808
Electrical safety game	122,470	114,131
Property lease/rentals	101,764	97,958
Donations and other projects	84,182	55,269
Art/Artisans services <i>(Schedule 4)</i>	44,952	61,566
Fundraising	8,758	30,292
Federal grants	7,133	14,873
Agricultural programs <i>(Schedule 5)</i>	-	30,000
	<u>1,034,513</u>	<u>1,152,099</u>
EXPENDITURES		
Administration expenditures <i>(Schedule 6)</i>	286,400	276,339
Homesteaders kitchen <i>(Schedule 2)</i>	215,814	284,257
Cultural services <i>(Schedule 3)</i>	204,392	96,532
Facility maintenance expenditures <i>(Schedule 7)</i>	133,314	116,544
Art/Artisans services <i>(Schedule 4)</i>	105,236	103,029
Historical resources expenditures <i>(Schedule 8)</i>	99,678	95,095
Electrical safety game	93,866	87,671
Agricultural programs <i>(Schedule 5)</i>	35,169	67,338
Advertising and promotion	7,529	9,959
Amortization	16,278	16,278
	<u>1,197,676</u>	<u>1,153,042</u>
DEFICIENCY OF REVENUE OVER EXPENDITURES FROM OPERATIONS	<u>(163,163)</u>	<u>(943)</u>
OTHER INCOME (EXPENDITURES)		
Investment income	5,847	2,708
Dividend income	-	817
Loss on disposal of investments	<u>(9,878)</u>	<u>(4,516)</u>
	<u>(4,031)</u>	<u>(991)</u>
DEFICIENCY OF REVENUE OVER EXPENDITURES	<u>\$ (167,194)</u>	<u>\$ (1,934)</u>

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

HERITAGE AGRICULTURAL SOCIETY
Statement of Changes in Net Assets
For The Year Ended October 31, 2014

	General	Invested in		
	Fund	Property and	2014	2013
		Equipment		
NET ASSETS - BEGINNING OF YEAR	\$ 146,412	\$ 309,834	\$ 456,246	\$ 458,180
Deficiency of revenue over expenditures	(167,194)	-	(167,194)	(1,934)
Transfer from retained earnings	(33,971)	33,971	-	-
NET ASSETS - END OF YEAR	\$ (54,753)	\$ 343,805	\$ 289,052	\$ 456,246

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

HERITAGE AGRICULTURAL SOCIETY
Statement of Cash Flow
For The Year Ended October 31, 2014

	2014	2013
OPERATING ACTIVITIES		
Deficiency of revenue over expenditures	\$ (167,194)	\$ (1,934)
Items not affecting cash:		
Amortization	16,278	16,278
Loss on disposal of investments	9,878	4,516
	<u>(141,038)</u>	18,860
Changes in non-cash working capital:		
Accounts receivable	24,343	(18,501)
Inventory	15,147	16,986
Accounts payable	10,780	(26,111)
Prepaid expenses	119	-
Goods and services tax payable	(5,989)	3,302
Edmonton Community Foundation investment	(3,184)	(9,185)
Wages payable	3,344	(802)
Deferred revenue	514	12,141
	<u>45,074</u>	(22,170)
	<u>(95,964)</u>	(3,310)
INVESTING ACTIVITIES		
Purchase of property and equipment	(50,550)	(24,536)
Proceeds on disposal of property and equipment	300	-
Change in Parkland Bingo Members' Equity	-	473
Repayment of grant	-	(10,000)
Proceeds of sale of marketable securities	13,980	6,682
	<u>(36,270)</u>	(27,381)
DECREASE IN CASH FLOW	(132,234)	(30,691)
Cash - beginning of year	<u>89,884</u>	120,575
CASH (DEFICIENCY) - END OF YEAR	\$ (42,350)	\$ 89,884

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

HERITAGE AGRICULTURAL SOCIETY
Notes to Financial Statements
For The Year Ended October 31, 2014

The Society was incorporated under the Agricultural Societies Act of Alberta on June 1, 1973 and is a non-profit organization and registered charity under the Income Tax Act of Canada. The Heritage Agricultural Society will engage local residents, businesses, governments, community organizations and visitors as they record, promote and celebrate the agricultural heritage, cultural roots and historic values of the tri-communities. They will develop and deliver creative and innovative programs and services. These programs and services will provide quality experiences focused on their areas of excellence for their residents and visitors and will provide private, public and philanthropic partnership opportunities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Measurement uncertainty

Certain amounts in the financial statements are subject to measurement uncertainty and are based on the Society's best information and judgment. Actual results could differ from these estimates.

Examples of significant estimates include:

- reported amounts of revenues and expenditures
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities

Estimates are based on a number of factors including historical experience, current events and actions that the Society may undertake in the future, and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. In particular, estimates are used in accounting for certain items such as revenues, allowance for doubtful accounts, useful lives of capital assets, asset impairments and legal and tax contingencies.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment when indicators of impairment exist. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Cash and short term investments

Cash and cash equivalents consist primarily of commercial paper and deposits with an original maturity date of purchase of three months or less. Because of the short term maturity of these investments, their carrying amount approximates fair value.

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HERITAGE AGRICULTURAL SOCIETY
Notes to Financial Statements
For The Year Ended October 31, 2014

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

Investments

Marketable securities consist of shares of a publicly traded corporation which were donated to the Society and are recorded at the fair market value.

Edmonton Community Foundation represents funds held on deposit for investment purposes. One of the purposes of the Foundation is to administer funds for the benefit of registered charities. The investment is recorded at the fair market value.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on an average cost basis.

Property and equipment

Property and equipment is stated at cost less accumulated amortization. Property and equipment is amortized over its estimated useful life at the following rates and methods:

Buildings	15 years	straight-line method
Equipment	20%	straight-line method
Art gallery permanent collection		carried at cost
Future building development costs		carried at cost

In the year of acquisition, amortization is calculated at one half of the above rates.

The Society regularly reviews its property and equipment to eliminate obsolete items. In the year of acquisition, half-rates are applied.

No value has been assigned for the Museum Collection held by the society, as there is no net realizable value readily obtainable.

Long-lived assets

Long-lived assets consist of property and equipment. Long-lived assets held for use are measured and amortized as described in the above accounting policy.

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 value. Any impairment is included in income for the year.

Prices for similar items are used to measure the fair value of long-lived assets.

Government grants

Government grants are recorded when there is a reasonable assurance that the Society had complied with and will continue to comply with, all the necessary conditions to obtain the grants.

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HERITAGE AGRICULTURAL SOCIETY
Notes to Financial Statements
For The Year Ended October 31, 2014

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

Revenue recognition

- a) Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred.
- b) Unrestricted contributions are recognized when received or receivable if the amounts to be received can be reasonably estimated and collection is reasonably assured.

Donated services

A portion of the Society's activities is carried out by services donated by individuals. The value of these services has not been determined, and accordingly, is not recorded in these financial statements.

2. 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 October 31, 2014.

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 customers. In order to reduce its credit risk, the Society reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Society has a significant number of customers which minimizes concentration of credit risk.

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 receipt of funds from its customers and other related sources, long-term debt, obligations under capital leases, contributions to the pension plan, and accounts payable.

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 floating interest rate bank indebtedness and credit facilities.

3. EDMONTON COMMUNITY FOUNDATION INVESTMENT

The investment in the Edmonton Community Foundation represents funds held on deposit for investment purposes. This amount is held at the net realizable value of the investment.

HERITAGE AGRICULTURAL SOCIETY
Notes to Financial Statements
For The Year Ended October 31, 2014

4. ACCOUNTS RECEIVABLE

	<u>2014</u>	<u>2013</u>
Accounts receivable	\$ 15,700	\$ 40,043

During the year, the charge for impairment related to accounts receivable was reported as bad debt expense on the statement of income in the amount of \$NIL (\$NIL in 2013).

5. MARKETABLE SECURITIES

The investment in marketable securities consists of shares of a publicly traded corporation which were donated to the society and are recorded at market value.

6. INVENTORY

	<u>2014</u>	<u>2013</u>
Inventory	\$ 48,910	\$ 64,057

Inventory is comprised of artworks, general store and kitchen supplies. The amount of inventory recognized as an expense during the year was \$90,860 (2013 - \$123,425).

7. LONG TERM INVESTMENTS

The Society has a membership equity stakehold in the Parkland Bingo Association. This member's equity has a current value of \$41,609 and can be redeemed at any time by withdrawing from the Parkland Bingo Association.

8. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Buildings	\$ 650,434	\$ 450,950	\$ 199,484	\$ 215,762
Equipment	73,748	73,748	-	-
Art gallery permanent collection	22,655	-	22,655	18,480
Future building development costs	121,666	-	121,666	75,592
	\$ 868,503	\$ 524,698	\$ 343,805	\$ 309,834

9. BANK LOAN - LINE OF CREDIT

The Society has an approved line of credit for borrowing from a bank in the amount of \$80,000.

HERITAGE AGRICULTURAL SOCIETY
Notes to Financial Statements
For The Year Ended October 31, 2014

10. DEFERRED REVENUE

Deferred revenue represents funds received prior to October 31, 2013 but relates to the subsequent expenditures as follows:

	<u>2014</u>
Alberta Museum Association Grant	\$ 9,025
Fortis Alberta	20,951
Little Green Thumbs	55,300
Inquiring Minds	23,309
Alberta Parenting for the Future	<u>11,204</u>
	<u>\$ 119,789</u>

HERITAGE AGRICULTURAL SOCIETY
Provincial and Other Grants
For The Year Ended October 31, 2014

(Schedule 1)

	2014	2013
REVENUE		
Capital Grants	\$ 90,840	\$ -
Agricultural Society grant	89,156	111,329
Alberta Art Foundation	37,208	51,923
Museum Alberta grant	17,187	52,010
Community Initiatives Program	-	20,750
MRTA	-	2,000
	<u>\$ 234,391</u>	<u>\$ 238,012</u>

Homesteaders Kitchen
For The Year Ended October 31, 2014

(Schedule 2)

	2014	2013
REVENUE		
Sales	\$ 141,185	\$ 237,755
Sales - GST exempt	12,118	16,646
Catering sales	5,723	7,599
Beverage sales	2,684	2,914
	<u>161,710</u>	<u>264,914</u>
EXPENDITURES		
Salaries	139,451	178,975
Food costs	57,987	81,303
Supplies	10,711	16,021
Repairs and maintenance	3,518	1,853
Equipment lease	1,437	1,492
Liquor	1,372	2,242
Smallwares	999	825
Gratuities paid out	339	1,156
Equipment	-	390
	<u>215,814</u>	<u>284,257</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>\$ (54,104)</u>	<u>\$ (19,343)</u>

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

HERITAGE AGRICULTURAL SOCIETY
Cultural Services
For The Year Ended October 31, 2014

(Schedule 3)

	2014	2013
REVENUE		
Little Green Thumb	\$ 38,729	\$ -
City slickers	37,300	36,122
School programming fees	33,309	36,356
Festival of Trees	13,581	-
Inquiring Minds	8,491	-
Miscellaneous special grants	3,500	8,525
Special events	2,443	26,048
Drama Troupe	-	1,225
	<u>137,353</u>	<u>108,276</u>
EXPENDITURES		
Capital Expenses	113,383	-
City slickers	29,474	21,580
Little Green Thumbs	29,341	361
School salaries	14,309	16,990
Inquiring Minds	8,521	-
Programming salaries	4,881	44,366
School supplies	2,657	2,471
Special events supplies	1,577	8,920
Volunteer recognition	249	55
Misc grant expenses	-	918
MYP contract fees	-	871
	<u>204,392</u>	<u>96,532</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>\$ (67,039)</u>	<u>\$ 11,744</u>

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

HERITAGE AGRICULTURAL SOCIETY
Art/Artisans Services
For The Year Ended October 31, 2014

(Schedule 4)

	2014	2013
REVENUE		
General store sales	\$ 35,650	\$ 50,147
Exhibition sales	9,302	11,419
	<u>44,952</u>	<u>61,566</u>
EXPENDITURES		
Retail salaries	42,879	37,237
General store - cost of sales	32,239	35,374
Gallery salaries	12,000	12,060
Artist fees	6,284	7,000
Cost of art sold	6,211	6,748
Openings	2,547	1,800
Consignment	1,350	974
Gallery supplies	1,092	913
General store supplies	634	923
	<u>105,236</u>	<u>103,029</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>\$ (60,284)</u>	<u>\$ (41,463)</u>

Agricultural Programs
For The Year Ended October 31, 2014

(Schedule 5)

	2014	2013
REVENUE	\$ -	\$ 30,000
EXPENDITURES		
Agriculture program wages	16,327	13,945
Farm supplies	15,066	26,921
Heritage Farmers Market	3,776	26,472
	<u>35,169</u>	<u>67,338</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>\$ (35,169)</u>	<u>\$ (37,338)</u>

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

HERITAGE AGRICULTURAL SOCIETY
Administration Expenditures
For The Year Ended October 31, 2014

(Schedule 6)

	2014	2013
EXPENDITURES		
Administrative salaries	\$ 246,713	\$ 235,565
Office supplies	8,622	10,276
Professional fees	7,330	7,812
Telephone	6,109	5,967
Postage and freight	3,116	2,870
Conferences and courses	3,026	2,332
Bank service charges	2,945	2,927
Credit card service charge	2,708	4,071
Office equipment	2,087	1,207
Memberships and subscriptions	1,902	1,913
Workers' compensation	1,546	1,844
Interest	883	496
Shortage/Overage	(587)	(941)
	<u>\$ 286,400</u>	<u>\$ 276,339</u>

Facility Maintenance Expenditures
For The Year Ended October 31, 2014

(Schedule 7)

	2014	2013
EXPENDITURES		
Utilities	\$ 52,895	\$ 51,130
Caretaking salaries	39,151	30,810
Repairs and maintenance	12,545	9,899
Insurance and taxes	9,633	8,255
Caretaking supplies	6,001	3,351
Grounds salaries	3,918	5,733
Garbage removal	3,409	3,739
Security/Lockup	2,463	2,791
Grounds capital improvements	1,995	-
Ground supplies	1,277	836
Farm operations	27	-
	<u>\$ 133,314</u>	<u>\$ 116,544</u>

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

HERITAGE AGRICULTURAL SOCIETY
Historical Resources Expenditures
For The Year Ended October 31, 2014

(Schedule 8)

	2014	2013
EXPENDITURES		
Historical resources salaries	\$ 65,695	\$ 62,175
Museums Alberta	17,173	24,761
Programs and events	16,114	6,700
Historical resources display/supplies	541	1,060
Historical resources walking tours	140	385
Historical resources books and subscriptions	15	14
	<u>\$ 99,678</u>	<u>\$ 95,095</u>

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