

# **The Fort Calgary Preservation Society**

**Financial Statements**

**December 31, 2017**



## Independent Auditors' Report

To: The Members of **The Fort Calgary Preservation Society**

We have audited the accompanying financial statements of The Fort Calgary Preservation Society, which comprise the statement of financial position as at December 31, 2017, and the statements of operations and 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 auditors' 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 auditors consider 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 controls. 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 The Fort Calgary Preservation 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.

*Kenway Mack Slusarchuk Stewart LLP*

March 27, 2018  
Calgary, Alberta

Chartered Professional Accountants,  
Chartered Accountants


**The Fort Calgary Preservation Society**


Statement of Financial Position

As at December 31,

					2017	2016
	General Fund	Capital Fund	Endowment Fund	Make History Fund	Total	Total
<b>Assets</b>						
<b>Current assets</b>						
Cash	\$ 204,455	\$ -	\$ -	\$ -	\$ 204,455	\$ 239,275
Restricted cash	79,578	53,865	2,515	1,068,557	1,204,515	350,718
Due from general fund	-	27,900	-	-	27,900	34,500
Accounts receivable (note 4)	63,615	8,361	-	25,975	97,951	928,078
Inventory	51,754	-	-	-	51,754	53,836
	<u>399,402</u>	<u>90,126</u>	<u>2,515</u>	<u>1,094,532</u>	<u>1,586,575</u>	<u>1,606,407</u>
<b>Restricted marketable investments (note 5)</b>	189,013	-	266,563	1,594,912	2,050,488	2,784,133
<b>Equipment (note 6)</b>	7,796	81,034	-	-	88,830	111,930
	<u>\$ 596,211</u>	<u>\$ 171,160</u>	<u>\$ 269,078</u>	<u>\$ 2,689,444</u>	<u>\$ 3,725,893</u>	<u>\$ 4,502,470</u>
<b>Liabilities and Fund Balances</b>						
<b>Current liabilities</b>						
Accounts payable (note 7)	\$ 240,518	\$ 4,626	\$ -	\$ 16,291	\$ 261,435	\$ 479,456
Due to capital fund	27,900	-	-	-	27,900	34,500
Deferred revenue	36,428	-	-	-	36,428	27,062
Deferred contributions (note 8)	73,205	-	-	-	73,205	63,084
	<u>378,051</u>	<u>4,626</u>	<u>-</u>	<u>16,291</u>	<u>398,968</u>	<u>604,102</u>
<b>Fund balances</b>						
Invested in capital assets	7,796	81,034	-	-	88,830	111,930
Externally restricted (note 9)	-	28,039	269,078	2,673,153	2,970,270	3,439,943
Internally restricted (note 10)	195,386	57,461	-	-	252,847	332,152
Unrestricted	14,978	-	-	-	14,978	14,343
	<u>218,160</u>	<u>166,534</u>	<u>269,078</u>	<u>2,673,153</u>	<u>3,326,925</u>	<u>3,898,368</u>
	<u>\$ 596,211</u>	<u>\$ 171,160</u>	<u>\$ 269,078</u>	<u>\$ 2,689,444</u>	<u>\$ 3,725,893</u>	<u>\$ 4,502,470</u>

Approved by the Board

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

**The Fort Calgary Preservation Society**  
**General Fund**  
Statement of Operations and Fund Balances

Years ended December 31,	<b>2017</b>	<b>2016</b>
<b>Revenue</b>		
City of Calgary grant	\$ 1,106,443	\$ 1,064,057
Food and beverage, net (note 11)	188,351	216,061
Visitor admissions	169,857	145,054
Donations and grants	150,341	111,575
Rental	96,864	125,005
Education programs	75,318	87,689
Gift shop, net (note 12)	16,559	13,875
Other	11,637	23,181
Interest income	6,294	5,275
Unrealized gain on marketable investments	6,573	34,981
	<u>1,828,237</u>	<u>1,826,753</u>
<b>Expenses</b>		
Salaries and benefits	923,911	902,492
Administration	690,075	652,314
Utilities	151,671	154,445
Communications and marketing	59,099	61,182
Volunteer operations	7,449	9,560
Education	7,423	14,104
Amortization	1,949	2,436
	<u>1,841,577</u>	<u>1,796,533</u>
<b>(Deficiency) excess of revenue over expenses</b>	(13,340)	30,220
<b>Fund balance</b> , beginning of year	263,400	289,180
<b>Interfund transfer</b> (note 10)	(31,900)	(56,000)
<b>Fund balance</b> , end of year	<u>\$ 218,160</u>	<u>\$ 263,400</u>

*See accompanying notes to the financial statements*

**The Fort Calgary Preservation Society**  
**Capital Fund**  
Statement of Operations and Fund Balances

Years ended December 31,	2017	2016
<b>Revenue</b>		
Life cycle maintenance grant - City of Calgary (note 13)	\$ 379,617	\$ 208,000
Donations	6,471	-
Other income	210	9,300
Interest income	403	259
	386,701	217,559
<b>Expenses</b>		
Life cycle maintenance (note 13)	443,038	246,799
Amortization	21,149	20,366
Administration	4,473	3,221
Capital development	-	924
	468,660	271,310
<b>Deficiency of revenue over expenses</b>	(81,959)	(53,751)
<b>Fund balance, beginning of year</b>	216,593	214,344
<b>Interfund transfer (note 10)</b>	31,900	56,000
<b>Fund balance, end of year</b>	\$ 166,534	\$ 216,593

*See accompanying notes to the financial statements*

**The Fort Calgary Preservation Society**  
**Endowment Fund**  
Statement of Operations and Fund Balances

Years ended December 31,	<b>2017</b>	<b>2016</b>
<b>Revenue</b>		
Unrealized gain on marketable investments	\$ 7,560	\$ 18,679
Interest income	3,709	3,381
Donations	-	30
	11,269	22,090
<b>Expenses</b>		
Equal access	10,000	10,000
<b>Excess of revenue over expenses</b>	1,269	12,090
<b>Fund balance, beginning of year</b>	267,809	255,719
<b>Fund balance, end of year</b>	\$ 269,078	\$ 267,809

*See accompanying notes to the financial statements*

**The Fort Calgary Preservation Society**  
**Make History Fund**  
Statement of Operations and Fund Balances

Years ended December 31,	<b>2017</b>	<b>2016</b>
<b>Revenue</b>		
Donations and grants	\$ 138,310	\$ 359,309
Interest income	72,646	74,025
Calgary Foundation	-	1,000,000
Mathison Family Foundation - Metis Cabin	-	100,000
	<u>210,956</u>	<u>1,533,334</u>
<b>Expenses</b>		
Phase I - East side	121,254	16,064
Phase II- 1875 Fort	21,240	31,542
Phase III - Interpretive centre	410,557	1,033,253
Fundraising and administration	93,916	208,058
Unrealized loss on marketable investments	41,402	22,140
Goods and services taxes adjustment	-	111,769
	<u>688,369</u>	<u>1,422,826</u>
<b>(Deficiency) excess of revenue over expenses</b>	(477,413)	110,508
<b>Fund balance, beginning of year</b>	3,150,566	3,040,058
<b>Fund balance, end of year</b>	<u>\$ 2,673,153</u>	<u>\$ 3,150,566</u>

*See accompanying notes to the financial statements*

**The Fort Calgary Preservation Society**

Statement of Cash Flows

Years ended December 31,

**2017**                      **2016**

	General Fund	Capital Fund	Endowment Fund	Make History Fund	Total	Total
<b>Operating activities:</b>						
Excess (deficiency) of revenue over expenses	\$ (13,340)	\$ (81,959)	\$ 1,269	\$ (477,413)	\$ (571,443)	\$ 99,067
Items not affecting cash:						
Amortization	1,949	21,149	-	-	23,098	22,802
Unrealized (gain) loss on investments	(6,573)	-	(7,560)	41,402	27,269	(31,520)
	(17,964)	(60,810)	(6,291)	(436,011)	(521,076)	90,349
Changes in non cash working capital items:						
Accounts receivable	13,117	42,987	-	774,025	830,129	(276,791)
Due (from) to capital fund	(6,600)	6,600	-	-	-	-
Inventory	2,082	-	-	-	2,082	(13,898)
Accounts payable	(53,420)	(3,774)	-	(160,827)	(218,021)	(1,160,630)
Deferred revenue	9,366	-	-	-	9,366	7,940
Deferred contributions	10,121	-	-	-	10,121	56,558
	(43,298)	(14,997)	(6,291)	177,187	112,601	(1,296,472)
<b>Investing activities:</b>						
Interfund transfer	(31,900)	31,900	-	-	-	-
Purchase of equipment	-	-	-	-	-	(30,376)
Purchase of investments	(85,558)	-	(61,979)	(486,796)	(634,333)	(374,000)
Proceeds from sale of investments	130,083	-	67,090	1,143,536	1,340,709	1,724,869
	12,625	31,900	5,111	656,740	706,376	1,320,493
<b>Increase (decrease) in cash</b>	(30,673)	16,903	(1,180)	833,927	818,977	24,021
<b>Cash, beginning of year</b>	314,706	36,962	3,695	234,630	589,993	565,972
<b>Cash, end of year</b>	\$ 284,033	\$ 53,865	\$ 2,515	\$ 1,068,557	\$ 1,408,970	\$ 589,993
<b>Cash consists of:</b>						
Cash	\$ 204,455	\$ -	\$ -	\$ -	\$ 204,455	\$ 239,275
Restricted cash	79,578	53,865	2,515	1,068,557	1,204,515	350,718
	\$ 284,033	\$ 53,865	\$ 2,515	\$ 1,068,557	\$ 1,408,970	\$ 589,993

See accompanying notes to the financial statements



# The Fort Calgary Preservation Society

## Notes to Financial Statements

December 31, 2017

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### 1. Nature of operations

The Fort Calgary Preservation Society (the “Society”) was formed to promote and encourage the expansion, development, restoration and preservation of Fort Calgary, and to promote the use of Fort Calgary for education, research, and enjoyment of the public. The Society operates under an agreement with The City of Calgary (the “City”), to manage the land and buildings that are owned by the City. As part of the agreement, the City annually provides a grant to support the operating expenses of the Society. The Society's operations are dependent on the grants received from the City. The Society is incorporated under the Societies Act of the Province of Alberta and is a registered charity which is exempt from corporate tax.

### 2. Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, specifically Canadian accounting standards for not-for-profit organizations (“ASNFPO”).

### 3. Significant accounting policies

#### (a) Fund accounting

##### *General fund*

This fund reports revenue and expenses for the Society’s program delivery, food and beverage operations and administrative activities.

##### *Capital fund*

This fund reports resources for lifecycle and maintenance on existing infrastructure at Fort Calgary as well as new developments outside of the Make History campaign.

##### *Endowment fund*

This fund reports resources contributed that are subject to restrictions stipulating that the principal amount of the resources be maintained permanently.

##### *Make History fund*

This fund reports the funds for a capital development project to renovate the Deane House and restore the Hunt House (Phase I), reconstruct the 1875 Fort (Phase II) and expand the existing Interpretive Centre (Phase III). All projects are focused on preserving Fort Calgary’s history and creating a major urban park in the East Village.

# The Fort Calgary Preservation Society

## Notes to Financial Statements

December 31, 2017

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### 3. Significant accounting policies (continued)

#### (b) Measurement of financial instruments

The Society initially measures its financial assets and liabilities at fair value. It subsequently measures its financial assets and financial liabilities at amortized cost, except for restricted marketable investments, which are measured at fair value. Changes in fair value are recognized in the statement of operations for the applicable fund.

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

Financial liabilities measured at amortized cost include accounts payable.

#### Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations for the applicable fund. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no 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 the statement of operations for the applicable fund.

#### (c) Cash and cash equivalents

The Society considers all investments readily convertible to cash with maturities of three months or less at the time of investment to be cash equivalents.

#### (d) Inventory

Inventory is recorded at the lower of cost and net realizable value. Cost is determined using the weighted average method. Previous write-downs to net realizable value are reversed to the extent there is a subsequent increase in the net realizable value of the inventories.

#### (e) Equipment

Equipment owned by the Society is recorded in the appropriate fund at cost. The Society provides for amortization using the declining balance method at a rate of 20%, designed to amortize the cost of the equipment over its estimated life. A full year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal.

The Society records a write-down when equipment no longer has any long-term service potential to the Society and its net carrying amount exceeds its residual value. The excess net carrying amount over residual value is recognized as an expense in the statement of operations for the applicable fund. Previous write-downs are not reversed.

# The Fort Calgary Preservation Society

## Notes to Financial Statements

December 31, 2017

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### 3. Significant accounting policies (continued)

#### (f) Revenue recognition

The Society follows the restricted fund method of accounting for contributions.

Restricted contributions related to general operations or for which no restricted fund exists are recognized as revenue in the General fund in the year in which related costs are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

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.

Food and beverage, admissions, rental, education programs, and gift shop sales revenue are recognized in the General fund when services are provided and collection is reasonably assured.

Restricted investment income is recorded as revenue of the appropriate restricted fund when earned. Unrestricted investment income earned is recognized as revenue of the General fund.

#### (g) Contributed materials and services

The Society records the value of contributed materials and services when the fair value can be reasonably estimated and when the materials and services would otherwise have been purchased.

### 4. Accounts receivable

Included in accounts receivable are \$nil (2016 - \$800,000) of contributions receivable from the Calgary Foundation, \$7,751 (2016 - \$18,016) of contributions receivable from the City of Calgary for the annual life cycle maintenance (refer to note 13) and \$22,297 (2016 - \$nil) from the Government of Canada for the Canada 150 Grant.

# The Fort Calgary Preservation Society

## Notes to Financial Statements

December 31, 2017

### 5. Restricted marketable investments

	<u>2017</u>		<u>2016</u>	
Fixed income funds	\$	1,716,558	\$	2,417,783
Equity funds		333,930		366,350
	\$	<u>2,050,488</u>	\$	<u>2,784,133</u>

The fixed income funds bear interest from 1.2% to 7.1% (2016 - 1.9% to 7.1%) and mature between April 2018 and December 2045 (2016 – August 2017 and December 2045).

### 6. Equipment

			<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>		
<b>General fund</b>						
Kitchen equipment	\$ 345,919	\$ 338,123	\$ 7,796	\$ 9,745		
<b>Capital fund</b>						
Computers and equipment	\$ 145,279	\$ 94,428	\$ 50,851	\$ 63,793		
Kitchen equipment	58,100	33,304	24,796	31,018		
Landscaping equipment	13,966	8,579	5,387	7,374		
	\$ 217,345	\$ 136,311	\$ 81,034	\$ 102,185		

Under the terms of the agreement with the City, title to lands acquired, buildings constructed and other capital projects is vested with the City and therefore these expenditures are not reported in these financial statements as assets of the Society.

### 7. Accounts payable

Included in accounts payable is \$nil (2016 - \$118,482) of goods and services taxes payable.

# The Fort Calgary Preservation Society

## Notes to Financial Statements

December 31, 2017

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### 8. Deferred contributions

Deferred contributions reported in the General fund relate to restricted casino funds received in the year that will be recognized when the related expense is incurred.

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 63,084	\$ 6,526
Contributions received during the year	64,615	70,023
Utilized, during year	<u>(54,494)</u>	<u>(13,465)</u>
Balance, end of year	<u>\$ 73,205</u>	<u>\$ 63,084</u>

### 9. Externally restricted fund balances

Externally restricted balances represent contributions for the following purposes, which had not been spent at year-end:

	<u>2017</u>	<u>2016</u>
Capital funds committed to capital projects	\$ 28,039	\$ 21,568
Make History funds to be used towards future expansion and restoration projects	2,673,153	3,150,566
Endowments, the income from which must be used for Lifecycle maintenance for Buffalo Node	12,234	12,176
Endowments, the income from which must be used for the Equal Access Program	<u>256,844</u>	<u>255,633</u>
	<u>\$ 2,970,270</u>	<u>\$ 3,439,943</u>

# The Fort Calgary Preservation Society

## Notes to Financial Statements

December 31, 2017

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### 10. Internally restricted fund balances

The Board of Directors has internally restricted the following balances, which are not available for other purposes without approval of the Board of Directors.

	<u>2017</u>	<u>2016</u>
Operating reserve	\$ 195,386	\$ 239,312
Life cycle maintenance	57,461	88,640
Site rehabilitation	-	4,200
	<u>\$ 252,847</u>	<u>\$ 332,152</u>

During the year, the Board of Directors restricted and transferred \$31,900 (2016 - \$56,000) of unrestricted funds of the General fund to the Capital fund to be used for life cycle maintenance expenditures and site rehabilitation.

### 11. Food and beverage

	<u>2017</u>	<u>2016</u>
Gross revenue	\$ 1,774,352	\$ 1,963,630
Cost of sales	417,188	506,301
	1,357,164	1,457,329
Salaries	1,066,294	1,124,871
Operating expenses	102,519	116,397
Net revenue	<u>\$ 188,351</u>	<u>\$ 216,061</u>

### 12. Gift shop

	<u>2017</u>	<u>2016</u>
Gross revenue	\$ 48,830	\$ 48,887
Cost of sales	23,055	21,835
	25,775	27,052
Operating expenses	9,216	13,177
Net revenue	<u>\$ 16,559</u>	<u>\$ 13,875</u>

# The Fort Calgary Preservation Society

## Notes to Financial Statements

December 31, 2017

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### 13. Life cycle maintenance grant – City of Calgary

The City annually provides a life cycle maintenance grant to support the operating expenses of the Society. The Society was approved for \$734,000 (2016 - \$138,000) from the CPRIP review process through the Capital Civic Partner Grant Program.

The Society recognized life cycle maintenance grant revenue of \$379,617 (2016 - \$208,000) from the City of which \$7,751 (2016 - \$18,016) is included in accounts receivable. The unspent approved balance available to be carried forward for 2018 life cycle expenditures is \$nil (2016 - \$nil).

Under the same program, the City of Calgary awarded the Society an additional \$493,250 for 2018 annual life cycle maintenance expenditures for specific maintenance projects as outlined in the agreement. Of this amount, \$468,250 will be matched by the Society 25% and reimbursed by the City 75%. The balance of \$25,000 will be matched by the Society 50% and reimbursed by the City 50%.

Expenses incurred for life cycle maintenance are as follows:

	<u>2017</u>	<u>2016</u>
Banquet & kitchen repairs & replacements	\$ 311,266	\$ 30,186
Various repairs and replacements	72,706	40,268
Site maintenance & replacements	52,143	45,866
HVAC repairs	33,130	41,265
Project management	22,166	34,500
Plumbing repairs & replacements	14,775	53,293
Audio-visual equipment repairs & replacements	-	32,224
Total expenditures	506,185	277,602
Less: amounts capitalized	-	(30,376)
Less: amounts funded by Make History fund	(63,148)	(427)
Total expensed	<u>\$ 443,038</u>	<u>\$ 246,799</u>

### 14. Related party transactions

During the year, the members of the Board of Directors contributed \$2,027 (2016 - \$50,750) to the Society.

### 15. Contributed services

Approximately 168 (2016 – 198) volunteers contributed a total of 3,041 hours (2016 – 3,380 hours) to assist the Society in carrying out its activities. Because of the difficulty of determining the fair values, these services are not recognized in these financial statements. The volunteer hours have not been audited.

# The Fort Calgary Preservation Society

## Notes to Financial Statements

December 31, 2017

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### 16. Fundraising expenses

Total expenses incurred for soliciting contributions were \$nil (2016 - \$60,176) including \$nil (2016 - \$22,393) paid to employees involved in fundraising.

### 17. Financial instruments

The Society's use of financial instruments and its exposure to risks associated with such instruments arises out of its normal course of operations and investing activities. Operations are located in Calgary, Alberta.

#### *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 its customers and funders. The Society has \$22,297 (2016 – \$800,000) of accounts receivable due from one funder, which represents 24% (2016 – 86%) of total accounts receivable.

#### *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Society is exposed to currency risk on its U.S. dollar denominated restricted marketable investments. The Society does not use derivative instruments to reduce its exposure to foreign currency risk.

#### *Market risk*

The Society is exposed to the risk that the fair value of its restricted marketable investments that bear interest at a fixed rate will fluctuate because of changes in the market rate of interest and investments in securities will fluctuate because of price changes on public markets.

#### *Financial assets*

The carrying amounts of financial assets recognized in the financial statements consist of those:

	<u>2017</u>	<u>2016</u>
Measured at amortized cost	\$ 1,506,921	\$ 1,552,571
Measured at fair value	2,050,448	2,784,133
	<u>\$ 3,557,369</u>	<u>\$ 4,336,704</u>



# The Fort Calgary Preservation Society

## Notes to Financial Statements

December 31, 2017

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### 18. Commitments and contingencies

Under the Major Community Facilities Program grant for which the Society received a total of \$8,000,000, the agreement stipulates that if the Society fails to complete the approved purpose and meet the reporting requirements by March 15, 2016, the Society must repay all or part of the proceeds. During the year, the Society received an extension agreement through to March 15, 2019.

As a registered charity, the Society must comply with the federal government's guidelines with respect to the accumulation of funds. The Society applied for and received extensions to allow for the accumulation of funds for a ten year period which ended on December 31, 2017. As not all the funds received have been spent due to delays in initiating the major capital spending contemplated since 2007, the Society may be offside with respect to the fund accumulation requirements. Since inception of the capital project, funds received and expended were as follows:

Funds received at inception of project on July 4, 2007	\$ 4,000,000
Funds received since inception through to December 31, 2017	10,184,105
Funds expended since inception through to December 31, 2017	<u>(11,510,952)</u>
Unexpended funds	<u>\$ 2,673,153</u>

It is unclear what impact, if any, this non-compliance will have on the Society. Management intends to work proactively to gain a further extension with respect to this issue.