
The Fort Calgary Preservation Society

Financial Statements

December 31, 2016



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, 2016, 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, 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.

Kenway Mack Slusarchuk Stewart LLP

Chartered Professional Accountants,
Chartered Accountants

March 20, 2017
Calgary, Alberta

The Fort Calgary Preservation Society
Statement of Financial Position

As at December 31,

					2016	2015
	General Fund	Capital Fund	Endowment Fund	Make History Fund	Total	Total
Assets						
Current assets						
Cash	\$ 239,275	\$ -	\$ -	\$ -	\$ 239,275	\$ 324,797
Restricted cash	75,431	36,962	3,695	234,630	350,718	241,175
Due from general fund	-	34,500	-	-	34,500	-
Accounts receivable (note 4)	76,732	51,346	-	800,000	928,078	651,285
Inventory	53,836	-	-	-	53,836	39,938
	445,274	122,808	3,695	1,034,630	1,606,407	1,257,195
Restricted marketable investments (note 5)	226,965	-	264,114	2,293,054	2,784,133	4,103,482
Equipment (note 6)	9,745	102,185	-	-	111,930	104,355
	\$ 681,984	\$ 224,993	\$ 267,809	\$ 3,327,684	\$ 4,502,470	\$ 5,465,032
Liabilities and Fund Balances						
Current liabilities						
Accounts payable (note 7)	\$ 293,938	\$ 8,400	\$ -	\$ 177,118	\$ 479,456	\$ 1,640,083
Due to capital fund	34,500	-	-	-	34,500	-
Deferred revenue	27,062	-	-	-	27,062	19,122
Deferred contributions (note 8)	63,084	-	-	-	63,084	6,526
	418,584	8,400	-	177,118	604,102	1,665,731
Fund balances						
Invested in capital assets	9,745	102,185	-	-	111,930	104,355
Externally restricted (note 9)	-	21,568	267,809	3,150,566	3,439,943	3,318,269
Internally restricted (note 10)	239,312	92,840	-	-	332,152	304,009
Unrestricted	14,343	-	-	-	14,343	72,668
	263,400	216,593	267,809	3,150,566	3,898,368	3,799,301
	\$ 681,984	\$ 224,993	\$ 267,809	\$ 3,327,684	\$ 4,502,470	\$ 5,465,032

Approved by the Board


_____ Director


_____ Director

See accompanying notes to the financial statements

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

Years ended December 31,	2016	2015
Revenue		
City of Calgary grant	\$ 1,064,057	\$ 1,026,008
Food and beverage, net (note 11)	216,061	233,016
Visitor admissions	145,054	122,364
Rental	125,005	172,543
Donations and grants	111,575	206,083
Education programs	87,689	92,636
Unrealized gain on marketable investments	34,981	-
Other	28,456	15,705
Gift shop, net (note 12)	13,875	15,104
	<u>1,826,753</u>	<u>1,883,459</u>
Expenses		
Salaries and benefits	902,492	916,987
Administration	652,314	606,741
Utilities	154,445	163,374
Communications and marketing	61,182	59,684
Education	14,104	14,540
Volunteer operations	9,560	12,673
Amortization	2,436	3,045
Unrealized loss on marketable investments	-	25,189
	<u>1,796,533</u>	<u>1,802,233</u>
Excess of revenue over expenses	30,220	81,226
Fund balance, beginning of year	289,180	273,854
Interfund transfer (note 10)	(56,000)	(65,900)
Fund balance, end of year	<u>\$ 263,400</u>	<u>\$ 289,180</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,	2016	2015
Revenue		
Life cycle maintenance grant - City of Calgary (note 13)	\$ 208,000	\$ 186,004
Other income	9,300	-
Interest income	259	1,202
Donations	-	200
	<u>217,559</u>	<u>187,406</u>
Expenses		
Life cycle maintenance (note 13)	246,799	297,400
Amortization	20,366	20,329
Administration	3,221	2,826
Capital development	924	8,205
Loss on disposal of assets	-	909
	<u>271,310</u>	<u>329,669</u>
Deficiency of revenue over expenses	(53,751)	(142,263)
Fund balance, beginning of year	214,344	290,707
Interfund transfer (note 10)	56,000	65,900
Fund balance, end of year	<u>\$ 216,593</u>	<u>\$ 214,344</u>

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

Years ended December 31,	2016	2015
Revenue		
Unrealized gain on marketable investments	\$ 18,679	\$ -
Interest income	3,381	4,062
Donations	30	140
	22,090	4,202
Expenses		
Equal access	10,000	10,000
Unrealized loss on marketable investments	-	7,069
	10,000	17,069
(Deficiency) excess of revenue over expenses	12,090	(12,867)
Fund balance, beginning of year	255,719	268,586
Fund balance, end of year	\$ 267,809	\$ 255,719

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

Years ended December 31,	2016	2015
Revenue		
Calgary Foundation	\$ 1,000,000	\$ -
Donations and grants	359,309	170,894
Mathison Family Foundation - Metis Cabin	100,000	-
Interest income	74,025	121,083
Canada Cultural Spaces Fund grant	-	269,789
Deane House tenant recovery	-	182,630
Deane and Hunt House conservation and restoration grants	-	80,603
Unrealized gain on marketable investments	-	18,073
	<u>1,533,334</u>	<u>843,072</u>
Expenses		
Phase I - East side	16,064	2,082,030
Phase II- 1875 Fort	31,542	2,215,134
Phase III - Interpretive centre	1,033,253	913,353
Fundraising and administration	208,058	112,567
Goods and services taxes adjustment	111,769	-
Unrealized loss on marketable investments	22,140	-
	<u>1,422,826</u>	<u>5,323,084</u>
Excess (deficiency) of revenue over expenses	110,508	(4,480,012)
Fund balance, beginning of year	3,040,058	7,520,070
Fund balance, end of year	<u>\$ 3,150,566</u>	<u>\$ 3,040,058</u>

The Fort Calgary Preservation Society
Statement of Cash Flows

Years ended December 31.

					2016	2015
	General Fund	Capital Fund	Endowment Fund	Make History Fund	Total	Total
Operating activities:						
Excess (deficiency) of revenue over expenses	\$ 30,220	\$ (53,751)	\$ 12,090	\$ 110,508	\$ 99,067	\$(4,553,916)
Items not affecting cash:						
Amortization	2,436	20,366	-	-	22,802	23,374
Loss on disposal of assets	-	-	-	-	-	909
Unrealized (gain) loss on investments	(34,981)	-	(18,679)	22,140	(31,520)	14,185
	(2,325)	(33,385)	(6,589)	132,648	90,349	(4,515,448)
Changes in non cash working capital items:						
Accounts receivable	(99)	(4,544)	-	(272,148)	(276,791)	280,856
Due (from) to capital fund	34,500	(34,500)	-	-	-	-
Inventory	(13,898)	-	-	-	(13,898)	159
Accounts payable	(55,640)	(6,341)	-	(1,098,649)	(1,160,630)	635,444
Deferred revenue	7,940	-	-	-	7,940	(4,273)
Deferred contributions	56,558	-	-	-	56,558	(74,278)
	27,036	(78,770)	(6,589)	(1,238,149)	(1,296,472)	(3,677,540)
Investing activities:						
Interfund transfer	(56,000)	56,000	-	-	-	-
Purchase of equipment	-	(30,376)	-	-	(30,376)	(11,446)
Purchase of investments	(88,748)	-	(37,647)	(247,605)	(374,000)	(683,892)
Proceeds from sale of investments	77,410	-	44,597	1,602,862	1,724,869	4,151,711
	(67,338)	25,624	6,950	1,355,257	1,320,493	3,456,373
Increase (decrease) in cash	(40,302)	(53,146)	361	117,108	24,021	(221,167)
Cash, beginning of year	355,008	90,108	3,334	117,522	565,972	787,139
Cash, end of year	\$ 314,706	\$ 36,962	\$ 3,695	\$ 234,630	\$ 589,993	\$ 565,972
Cash consists of:						
Cash	\$ 239,275	\$ -	\$ -	\$ -	\$ 239,275	\$ 324,797
Restricted cash	75,431	36,962	3,695	234,630	350,718	241,175
	\$ 314,706	\$ 36,962	\$ 3,695	\$ 234,630	\$ 589,993	\$ 565,972

The Fort Calgary Preservation Society

Notes to Financial Statements

December 31, 2016

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 (note 13). 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 ("ASNFP").

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, 2016

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, 2016

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 \$800,000 (2015 - \$nil) of contributions receivable from the Calgary Foundation, \$18,016 (2015 - \$42,335) of contributions receivable from the City of Calgary for the annual life cycle maintenance (refer to note 13) and \$nil (2015 - \$143,410) from the Alberta Historical Resources Foundation for the Heritage Preservation Partnership Program.

The Fort Calgary Preservation Society

Notes to Financial Statements

December 31, 2016

5. Restricted marketable investments

	<u>2016</u>		<u>2015</u>	
Fixed income funds	\$	2,417,783	\$	3,803,047
Equity funds		366,350		300,436
	\$	<u>2,784,133</u>	\$	<u>4,103,482</u>

The fixed income funds bear interest from 1.9% to 7.1% (2015 - 1.8% to 7.1%) and mature between August 2017 and December 2045 (2015 – March 2016 and December 2045).

6. Equipment

			<u>2016</u>		<u>2015</u>	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value		
General fund						
Kitchen equipment	\$ 345,919	\$ 336,174	\$ 9,745	\$ 12,181		
Capital fund						
Computers and equipment	\$ 148,915	\$ 85,122	\$ 63,793	\$ 49,974		
Kitchen equipment	58,100	27,082	31,018	38,795		
Landscaping equipment	13,966	6,591	7,374	3,405		
	\$ 220,981	\$ 118,795	\$ 102,185	\$ 92,174		

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 are \$118,482 (2015 - \$nil) of goods and services taxes payable.

The Fort Calgary Preservation Society

Notes to Financial Statements

December 31, 2016

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>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 6,526	\$ 80,804
Contributions received during the year	70,023	-
Utilized, during year	<u>(13,465)</u>	<u>(74,278)</u>
Balance, end of year	<u>\$ 63,084</u>	<u>\$ 6,526</u>

9. Externally restricted fund balances

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

	<u>2016</u>	<u>2015</u>
Capital funds committed to capital projects	\$ 21,568	\$ 22,492
Make History funds to be used towards future expansion and restoration projects	3,150,566	3,040,058
Endowments, the income from which must be used for Lifecycle maintenance for Buffalo Node	12,176	11,628
Endowments, the income from which must be used for the Equal Access Program	<u>255,633</u>	<u>244,091</u>
	<u>\$ 3,439,943</u>	<u>\$ 3,318,269</u>

The Fort Calgary Preservation Society

Notes to Financial Statements

December 31, 2016

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>2016</u>	<u>2015</u>
Operating reserve	\$ 239,312	\$ 204,331
Life cycle maintenance	88,640	85,671
Site rehabilitation	4,200	14,007
	<u>\$ 332,152</u>	<u>\$ 304,009</u>

During the year, the Board of Directors restricted and transferred \$56,000 (2015- \$65,900) 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>2016</u>	<u>2015</u>
Gross revenue	\$ 1,963,630	\$ 2,080,777
Cost of sales	506,301	547,026
	1,457,329	1,533,751
Salaries	1,124,871	1,151,755
Operating expenses	116,397	148,980
Net revenue	<u>\$ 216,061</u>	<u>\$ 233,016</u>

12. Gift shop

	<u>2016</u>	<u>2015</u>
Gross revenue	\$ 48,887	\$ 54,530
Cost of sales	21,835	31,188
	27,052	23,342
Operating expenses	13,177	8,238
Net revenue	<u>\$ 13,875</u>	<u>\$ 15,104</u>

The Fort Calgary Preservation Society

Notes to Financial Statements

December 31, 2016

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 \$138,000 (2015 - \$255,000) from the CPRIP review process through the Capital Civic Partner Grant Program.

The Society recognized life cycle maintenance grant revenue of \$208,000 (2015 - \$186,004) from the City of which \$18,016 (2015 - \$42,335) is included in accounts receivable. The unspent approved balance available to be matched for 2017 life cycle expenditures is \$nil (2015- \$70,000).

Under the same program, the City of Calgary awarded the Society an additional \$734,000 for 2017 annual life cycle maintenance expenditures for specific maintenance projects as outlined in the agreement. These funds will be matched by the Society 25%, and reimbursed by the City 75%.

Expenses incurred for life cycle maintenance are as follows:

	<u>2016</u>	<u>2015</u>
Plumbing repairs and replacements	\$ 53,293	\$ 16,567
Site maintenance	45,866	49,821
HVAC repairs	41,265	28,865
Various repairs and replacements	40,268	114,007
Project management	34,500	33,743
Audio-visual equipment repairs & replacements	32,224	45,512
Banquet & kitchen repairs & replacements	30,186	48,154
Electrical repairs and replacements	-	29,789
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Total expenditures	277,602	366,458
Less: amounts capitalized	(30,376)	(11,445)
Less: amounts funded by Make History fund	(427)	(57,613)
	<hr/>	<hr/>
Total expensed	\$ 246,799	\$ 297,400

14. Related party transactions

During the year, the members of the Board of Directors contributed \$50,750 (2015 - \$21,000) to the Society.

15. Contributed services

Approximately 198 (2015 – 210) volunteers contributed a total of 3,380 hours (2015 – 3,871 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, 2016

16. Fundraising expenses

Total expenses incurred for soliciting contributions were \$60,176 (2015 - \$70,004) including \$22,393 (2015 - \$26,665) paid to employees and \$nil (2015 - \$2,306) in consulting fees paid to external businesses 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 \$800,000 (2015 - \$143,410) of accounts receivable due from one funder, which represents 86% (2015 - 22%) 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>2016</u>	<u>2015</u>
Measured at amortized cost	\$ 1,552,571	\$ 1,217,257
Measured at fair value	2,784,133	4,103,482
	<u>\$ 4,336,704</u>	<u>\$ 5,320,739</u>

The Fort Calgary Preservation Society

Notes to Financial Statements

December 31, 2016

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 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. The Society has not fully completed the project within the stipulated time frame. However, it is managements understanding that the Minister will extend the completion date and will not require repayment of these funds.