

Financial Statements of

**THE FORT CALGARY PRESERVATION
SOCIETY**

Year ended December 31, 2018



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INDEPENDENT AUDITORS' REPORT

To the Members of The Fort Calgary Preservation Society

Opinion

We have audited the financial statements of The Fort Calgary Preservation Society (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations and fund balances year then ended
- the statement of cash flows year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its results of operations and its cash flows year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Other Matter – Comparative Information

The financial statements for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 27, 2018.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit 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.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
April 26, 2019

THE FORT CALGARY PRESERVATION SOCIETY

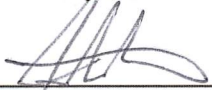
Statement of Financial Position

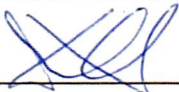
December 31, 2018, with comparative information for 2017

	General Fund	Capital Fund	Endowment Fund	Make History Fund	2018 Total	2017 Total
Assets						
Current assets						
Cash and cash equivalents	\$ 213,258	\$ -	\$ -	\$ -	\$ 213,258	\$ 204,455
Restricted cash	8,586	31,005	-	233,522	273,113	1,204,515
Accounts receivable (note 4)	80,533	32,464	-	108,115	221,112	81,894
Prepaid and deposits	3,897	-	-	500,000	503,897	16,057
Inventory	32,909	-	-	-	32,909	51,754
	339,183	63,469	-	841,637	1,244,289	1,558,675
Restricted marketable investments						
(note 5)	242,415	-	256,158	2,572,441	3,071,014	2,050,488
Equipment (note 6)	-	84,359	-	62,536	146,895	88,830
	\$ 581,598	\$ 147,828	\$ 256,158	\$ 3,476,614	\$ 4,462,198	\$ 3,697,993
Liabilities and Fund Balances						
Current liabilities:						
Accounts payable (note 7)	\$ 271,935	\$ 3,517	\$ -	\$ 248,151	\$ 523,603	\$ 261,435
Deferred contributions (note 8)	8,586	-	-	-	8,586	73,205
Deferred revenue	17,401	-	-	-	17,401	36,428
	297,922	3,517	-	248,151	549,590	371,068
Total liabilities	297,922	3,517	-	248,151	549,590	371,068
Fund balances	283,676	144,311	256,158	3,228,463	3,912,608	3,326,925
Commitments and contingencies (note 11)						
Economic dependence (note 1)						
	\$ 581,598	\$ 147,828	\$ 256,158	\$ 3,476,614	\$ 4,462,198	\$ 3,697,993

See accompanying notes to the financial statements.

Approved by the Board:





Director

Director

THE FORT CALGARY PRESERVATION SOCIETY

Statement of Operations and Fund Balances

Year ended December 31, 2018, with comparative information for 2017

	General Fund	Capital Fund	Endowment Fund	Make History Fund	2018 Total	2017 Total
Revenue:						
City of Calgary grant	\$ 1,147,210	\$ -	\$ -	\$ -	\$ 1,147,210	\$ 1,106,443
Life cycle maintenance grant City of Calgary (note 9)	-	330,042	-	-	330,042	379,617
Food and beverage	1,536,081	-	-	-	1,536,081	1,774,352
Visitor admissions	142,149	-	-	-	142,149	169,857
Donations and grants	240,454	7,355	-	1,303,960	1,551,769	295,122
Rental	168,156	-	-	-	168,156	92,864
Education programs	83,560	-	-	-	83,560	75,318
Gift shop	17,523	-	-	-	17,523	48,830
Other	86,027	5,500	-	-	91,527	17,851
Interest income	8,050	337	7,306	46,673	62,366	83,056
	3,429,210	343,234	7,306	1,350,633	5,130,383	4,043,310
Expenses:						
Salaries and benefits	1,059,743	-	-	-	1,059,743	923,911
Administration and fundraising	613,172	9,272	-	77,659	700,103	794,410
Utilities	148,911	-	-	-	148,911	151,671
Communications and marketing	43,069	-	-	-	43,069	59,099
Volunteer operations	2,959	-	-	-	2,959	6,763
Education	7,290	-	-	-	7,290	7,423
Amortization	1,429	20,372	-	6,685	28,486	23,098
Food and beverage	1,464,028	-	-	-	1,464,028	1,582,865
Gift shop	22,681	-	-	-	22,681	32,155
Life cycle maintenance (note 9)	-	359,848	-	-	359,848	443,038
Equal access	-	-	10,000	-	10,000	10,000
Phase I – East side	-	-	-	2,321	2,321	121,254
Phase II – 1875 Fort	-	-	-	-	-	21,240
Phase III – Interpretive centre	-	-	-	653,668	653,668	410,557
	3,363,282	389,492	10,000	740,333	4,503,107	4,587,484
Other:						
Unrealized loss on investments	12,238	-	20,225	2,763	35,226	27,296
Loss on disposal of asset	6,367	-	-	-	6,367	-
	18,605	-	20,225	2,763	41,593	27,269
Excess (deficiency) of revenue over expenses	47,323	(46,258)	(22,919)	607,537	585,683	(571,443)
Fund balance, beginning of year	218,160	166,534	269,078	2,673,153	3,326,925	3,898,368
Interfund transfer	18,193	24,035	9,999	(52,227)	-	-
Fund balance, end of year	\$ 283,676	\$ 144,311	\$ 256,158	\$ 3,228,463	\$ 3,912,608	\$ 3,326,925

See accompanying notes to financial statements.

THE FORT CALGARY PRESERVATION SOCIETY

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash flows provided by (used in):		
Operations:		
Excess (Deficiency) of revenues over expenses	\$ 585,683	\$ (571,443)
Add items not affecting cash:		
Amortization of capital assets	28,486	23,098
Unrealized loss on sale of investments	35,226	27,269
Loss on disposal of assets	6,367	-
	655,762	(521,076)
Change in non-cash working capital:		
Accounts receivable	(139,218)	799,431
Prepaid and deposits	(487,840)	30,698
Inventory	18,845	2,082
Accounts payable	262,168	(218,021)
Deferred revenue	(19,027)	9,366
Deferred contributions	(64,619)	10,121
	226,071	112,601
Investments:		
Purchase of equipment	(92,918)	-
Purchase of investments	(1,055,752)	(634,333)
Proceeds from investments	-	1,340,709
	(1,148,670)	706,376
(Decrease) increase in cash and cash equivalents	(922,599)	818,977
Cash and cash equivalents, and restricted cash, beginning of year	1,408,970	589,993
Cash and cash equivalents, and restricted cash, end of year	\$ 486,371	\$ 1,408,970
Cash and cash equivalents	\$ 213,258	\$ 204,455
Restricted cash	273,113	1,204,515
	\$ 486,371	\$ 1,408,970

See accompanying notes to the financial statements.

THE FORT CALGARY PRESERVATION SOCIETY

Notes to the Financial Statements

Year ended December 31, 2018, with comparative information for 2017

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 (“ASNFP”).

3. Significant accounting policies:

(a) Fund accounting:

(i) General fund:

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

(ii) 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.

(iii) Endowment fund:

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

(iv) 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 the Financial Statements, page 2

Year ended December 31, 2018, with comparative information for 2017

3. Significant accounting policies (continued):

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(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 FORT CALGARY PRESERVATION SOCIETY

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Year ended December 31, 2018, with comparative information for 2017

3. Significant accounting policies (continued):

(f) Impairment of long-lived assets:

Long-lived assets, including property and equipment, reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the assets carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the society uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

(g) 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.

(h) 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.

(i) Measurement uncertainty:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Significant estimates includes the recoverability and useful life of capital assets.

THE FORT CALGARY PRESERVATION SOCIETY

Notes to the Financial Statements, page 4

Year ended December 31, 2018, with comparative information for 2017

4. Accounts receivable:

Included in accounts receivable are \$45,434 (2017 - \$nil) of grants receivable from the Canadian Cultural Spaces, and \$nil (2017 - \$22,297) from the Government of Canada for the Canada 150 Grant.

5. Restricted marketable investments:

	2018	2017
Fixed income	\$ 2,211,132	\$ 1,716,558
Marketable securities	859,882	333,930
	<u>\$ 3,071,014</u>	<u>\$ 2,050,488</u>

6. Equipment:

			2018	2017
	Cost	Accumulated depreciation	Net book value	Net book value
General fund:				
Kitchen equipment	\$ -	\$ -	\$ -	\$ 7,796
Capital fund:				
Computers and equipment	150,968	99,021	51,947	50,851
Kitchen equipment	58,100	38,263	19,837	24,796
Landscaping equipment	22,582	10,007	12,575	5,387
Make History fund:				
Computers and equipment	69,221	6,685	62,536	-
	<u>\$ 300,871</u>	<u>\$ 153,976</u>	<u>\$ 146,895</u>	<u>\$ 88,830</u>

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 (2017 - \$nil) of government remittances.

THE FORT CALGARY PRESERVATION SOCIETY

Notes to the Financial Statements, page 5

Year ended December 31, 2018, with comparative information for 2017

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.

	2018	2017
Balance, beginning of year	\$ 73,205	\$ 63,084
Contributions received during the year	-	64,615
Utilized, during the year	(64,619)	(54,494)
	<u>\$ 8,586</u>	<u>\$ 73,205</u>

9. 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 \$493,250 (2017 - \$417,000) from the CPRIP (Culture, Parks, and Recreation Infrastructure Investment Plan) review process through the Capital Civic Partner Grant Program.

The Society recognized life cycle maintenance grant revenue of \$330,042 (2017 - \$379,617) from the City of which \$31,948 (2017 - \$7,751) is included in accounts receivable.

Under the same program, the City of Calgary awarded the Society an additional \$400,400 for the year 2019 (2018 - \$493,250) annual life cycle maintenance expenditures for specific maintenance projects as outlined in the agreement. Of this amount, \$400,400 (2017 - \$468,250) will be matched by the Society 25% and reimbursed by the City 75% of the total. The balance of \$nil (2018 - \$25,000) will be matched by the Society 50% and reimbursed by the City 50%.

THE FORT CALGARY PRESERVATION SOCIETY

Notes to the Financial Statements, page 6

Year ended December 31, 2018, with comparative information for 2017

9. Life cycle maintenance grant – City of Calgary (continued):

Expenses incurred for life cycle maintenance are as follows:

	2018	2017
Banquet and kitchen repairs & replacements	\$ 200,594	\$ 311,266
Various repairs and replacements	32,578	72,706
Barracks floor replacement	87,108	–
Site maintenance & replacements	48,566	52,143
Exterior painting and staining	52,700	–
HVAC, plumbing repairs & replacements	11,461	47,905
Project management	13,923	22,166
	446,930	506,186
Less: amounts funded by Make History fund	87,082	63,148
	\$ 359,848	\$ 443,038

10. Financial instruments

The Society is subject to the following financial instrument risks:

(a) Credit risk:

Credit risk refers to the risk that restricted cash counterparty may default on its contractual obligations resulting in a financial loss. The Society does not believe it is subject to any significant concentration of credit risk. Cash and investments are in place with major financial institutions and majority of the accounts receivables are due from the federal government, where chances of default are low.

(b) Liquidity risk:

Liquidity risk is the risk that the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society does not believe it is subject to any significant concentration of liquidity risk.

The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(c) Interest rate risk:

Interest rate risk arises on cash, restricted cash, and investments. The Society is exposed to interest rate risk due to fluctuations in the bank's interest rates. The risk exposure is unchanged from the prior year.

THE FORT CALGARY PRESERVATION SOCIETY

Notes to the Financial Statements, page 7

Year ended December 31, 2018, with comparative information for 2017

11. Commitments and contingencies:

Under the Major Community Facilities Program grant for which the Society received a total of \$8,000,000, the agreement stipulated that if the Society failed 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 2017 fiscal year, the Society received an extension agreement through to March 15, 2019. The Society is currently seeking a further extension and modification to the agreement based on revised timelines for the project. It is unclear what impact, if any, this non-compliance will have on the Society.

12. Comparative figures:

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