

Lougheed House Conservation Society
Financial Statements
For the year ended December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Members of Lougheed House Conservation Society

We have audited the accompanying financial statements of Lougheed House Conservation Society, which comprise the statement of financial position as at December 31, 2016 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lougheed House Conservation 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.

Calgary, Alberta
May 29, 2017


Chartered Professional Accountants

**Lougheed House Conservation Society
Statement of Financial Position**

| December 31 | 2016 | 2015 |
|------------------------------|-------------------|-------------------|
| Assets | | |
| Current | | |
| Cash | \$ 204,732 | \$ 173,147 |
| Accounts receivable (Note 2) | 70,838 | 95,956 |
| Inventory | 4,626 | 4,786 |
| | 280,196 | 273,889 |
| Restricted cash (Note 3) | 5,067 | - |
| Capital assets (Note 4) | 99,622 | 126,541 |
| | \$ 384,885 | \$ 400,430 |

Liabilities and Net Assets

| | | |
|--|-------------------|-------------------|
| Current | | |
| Accounts payable and accrued liabilities (Note 2) | \$ 48,623 | \$ 22,356 |
| Deferred contributions and revenue (Note 5) | 87,985 | 82,542 |
| | 136,608 | 104,898 |
| Deferred contributions related to in-kind donations (Note 6) | 73,019 | 98,492 |
| | 209,627 | 203,390 |
| Net assets | | |
| Unrestricted | 91,850 | 102,991 |
| Invested in Capital Assets | 26,603 | 28,049 |
| Internally Restricted (Note 7) | 56,805 | 66,000 |
| | 175,258 | 197,040 |
| | \$ 384,885 | \$ 400,430 |

Approved on behalf of the board:

_____, Director

_____, Director

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

Lougheed House Conservation Society Statement of Changes in Net Assets

For the year ended December 31 **2016**

| | Unrestricted | Invested in Capital Assets | Internally Restricted | Total |
|---|------------------|-------------------------------|--------------------------|-------------------|
| Balance, beginning of year | \$ 102,991 | \$ 28,049 | \$ 66,000 | \$ 197,040 |
| Deficiency of revenue over expenses for the year | (11,141) | (10,641) | - | (21,782) |
| Purchased assets | - | 9,195 | (9,195) | - |
| Balance, end of year | \$ 91,850 | \$ 26,603 | \$ 56,805 | \$ 175,258 |

For the year ended December 31 **2015**

| | Unrestricted | Invested in Capital Assets | Internally Restricted | Total |
|---|-------------------|-------------------------------|--------------------------|-------------------|
| Balance, beginning of year | \$ 80,302 | \$ 28,362 | \$ 66,000 | \$ 174,664 |
| Excess (deficiency) of revenue over expenses for the year | 33,315 | (10,939) | - | 22,376 |
| Purchased assets | (10,626) | 10,626 | - | - |
| Balance, end of year | \$ 102,991 | \$ 28,049 | \$ 66,000 | \$ 197,040 |

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

Lougheed House Conservation Society Statement of Operations

| For the year ended December 31 | 2016 | 2015 |
|--|--------------------|------------------|
| Revenue | | |
| Admissions | \$ 26,557 | \$ 20,810 |
| Amortization of in-kind donations | 25,473 | 25,473 |
| Casino (Note 6) | 34,925 | 29,156 |
| Donations | 20,116 | 35,595 |
| Government contract | 475,000 | 481,397 |
| Grants | 110,426 | 38,574 |
| Memberships | 2,400 | 1,993 |
| Merchandise | 21,258 | 27,719 |
| Other | 10,023 | 3,483 |
| Program and events | 160,857 | 154,020 |
| | <u>887,035</u> | <u>818,220</u> |
| Expenses | | |
| Advertising and promotion | 31,452 | 21,375 |
| Amortization | 36,115 | 36,411 |
| Bad debts | 913 | - |
| Collections and exhibits | 34,453 | 34,681 |
| Garden | 4,168 | 3,441 |
| General and administrative | 63,061 | 63,215 |
| Interest and bank charges | 7,235 | 7,942 |
| Merchandise | 6,568 | 8,891 |
| Other | 4,950 | 5,130 |
| Admissions | 25,253 | 20,715 |
| Professional fees | 18,001 | 15,500 |
| Program and events | 42,410 | 33,039 |
| Travel | 2,389 | - |
| Wages and benefits | 615,201 | 545,504 |
| | <u>892,169</u> | <u>795,844</u> |
| Excess (deficiency) of revenue over expenses before the following item | (5,134) | 22,376 |
| Other- Deferred revenue related to venue rentals (Note 5) | 16,648 | - |
| Excess (deficiency) of revenue over expenses for the year | \$ (21,782) | \$ 22,376 |

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

Lougheed House Conservation Society Statement of Cash Flows

| For the year ended December 31 | 2016 | 2015 |
|---|-------------------|-------------------|
| Cash flows from operating activities | | |
| Excess (deficiency) of revenue over expenses for the year | \$ (21,782) | \$ 22,376 |
| Adjustments for non-cash items | | |
| Amortization | 36,115 | 36,411 |
| Amortization of in-kind donations | (25,473) | (25,473) |
| | (11,140) | 33,314 |
| Change in non-cash working capital items | | |
| Decrease (increase) in accounts receivable | 25,118 | (83,257) |
| Decrease in inventory | 160 | 2,561 |
| Decrease in prepaid expenses | - | 6,041 |
| Increase (decrease) in accounts payable and accrued liabilities | 26,266 | (18,516) |
| Increase (decrease) in deferred contributions | 5,443 | 47,404 |
| | <u>45,847</u> | <u>(12,453)</u> |
| Cash flows from investing activity | | |
| Purchase of capital assets | (9,195) | (10,626) |
| Increase (decrease) in cash during the year | 36,652 | (23,079) |
| Cash, beginning of year | 173,147 | 196,226 |
| Cash, end of year | \$ 209,799 | \$ 173,147 |
| Cash consists of: | | |
| Cash | \$ 204,732 | \$ 173,147 |
| Restricted cash | 5,067 | - |
| | <u>\$ 209,799</u> | <u>\$ 173,147</u> |

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

Lougheed House Conservation Society

Notes to the Financial Statements

December 31, 2016

Nature of operations

Lougheed House Conservation Society (the "Society") was incorporated as a charitable organization on January 20, 1995 to restore and conserve the Lougheed House, a National Heritage Site, originally constructed by Senator James Lougheed in 1891. The purpose of the Society has now expanded to include offering programs and exhibits to reflect the history of the Lougheed era which ended in 1938 and other tenants and their historical eras, educate the visitors on these eras, continue to preserve the house and surrounding gardens, rent out the facility for events, and offer restaurant and gift shop areas for visitors.

As the Society is registered as a charitable organization, it is exempt from federal or Alberta income taxes, provided certain requirements of the Income Tax Act are met.

1. Summary of significant accounting policies

The Society applies the Canadian accounting standards for not-for-profit enterprises.

Basis of accounting These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies

Inventory Inventory is comprised of gift shop merchandise for sale. Inventory is valued at the lower of cost and net realizable value, cost being determined using the average cost method. The total inventory expensed during the year was \$8,175 (2015 - \$11,186) and was included in merchandise expense.

Amortization Amortization on capital assets is provided using the straight-line method and the following number of years:

| | |
|-----------------------------------|----------|
| Furniture, fixtures and equipment | 10 years |
| Computer equipment | 5 years |
| Computer software | 3 years |

Capital assets are evaluated for impairment when circumstances indicate impairment may have occurred. Any impairment is measured by comparing the carrying value of the assets to the fair value based on the present value of future cash flows expected to be generated from the assets.

Revenue recognition The deferral method of accounting is used for casino revenue, government contracts and grants. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions received for capital assets are recognized as revenue in proportion to the annual amortization of the related assets for which the contribution was made.

Admission, program and events and merchandise revenue are recorded once the sale has been completed and collection is reasonably assured. Amounts received for services in the next fiscal year have been deferred.

Lougheed House Conservation Society Notes to the Financial Statements

December 31, 2016

1. Summary of significant accounting policies (continued)

Financial instruments

The Society initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions that are measured at the exchange amount.

The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash and accounts receivable

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities

Financial assets measured at cost or amortized cost are tested for impairment, at the end of each year, to determine whether there are indicators that the asset may be impaired. The amount of the write-down, if any, is recognized in excess (deficiency) of revenues over expenditures. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost. The amount of the reversal is recognized in excess (deficiency) of revenues over expenditures.

Contributed services

Contributed goods and services are not recognized in the financial statements due to the difficulty in determining the fair value. Donated assets are recorded at the fair value of the gift where the fair value can be practically determined.

Lougheed House Conservation Society Notes to the Financial Statements

December 31, 2016

1. Summary of significant accounting policies (continued)

Measurement uncertainty

The valuation of accounts receivable is based on management's best estimates of the provision for doubtful accounts

The valuation of inventory is based on management's best estimates of the provision for slow-moving and obsolete inventory. The amount recorded for the provision is based on management's best estimates of the net realizable value of the related inventory.

The valuation of capital assets is based on management's best estimates of the future recoverability of these assets and the determination of costs subject to classification as capital assets. The amounts recorded for amortization of the capital assets are based on management's best estimates of the remaining useful lives and period of future benefit of the related assets.

By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

2. Government remittances

Included in accounts receivable is Goods and Services Tax receivable of \$4,941 (2015 - \$2114). Included in accounts payable and accrued liabilities are admissions due to the government of \$4,886 (2015 - \$nil).

3. Restricted cash

Restricted cash consists of funds held as security for a credit card.

4. Capital assets

| | Net Book Value | | | |
|-----------------------------------|-------------------|-----------------------------|------------------|-------------------|
| | Cost | Accumulated Amortization | 2016 | 2015 |
| Furniture, fixtures and equipment | \$ 397,180 | \$ 313,668 | \$ 83,512 | \$ 114,313 |
| Computer equipment | 96,708 | 80,598 | 16,110 | 11,205 |
| Computer software | 10,773 | 10,773 | - | 1,023 |
| | \$ 504,661 | \$ 405,039 | \$ 99,622 | \$ 126,541 |

Lougheed House Conservation Society Notes to the Financial Statements

December 31, 2016

5. Deferred contributions and revenue

During the year, the Society received amounts from numerous sources whereby the funds were restricted for use.

(a) The Society received proceeds from casinos of \$77,280 (2015 - \$nil). The funds are designated for accounting fees/gaming financial reports, administrative costs up to a maximum of 10%, program related equipment, grant funding, promotional activities, raffle with less than a \$10,000 objective, registration and affiliation fees, resources materials and supplies, in-province travel, uniforms and costumes, and salaries and wages paid to the Head Gardener. An amount equal to these deferred contributions is held in a separate bank account and included in cash.

(b) The Society received proceeds from Grosvenor House of \$nil (2015 - \$5,000) to support 2016 programs.

(c) The Society received two grants from the Alberta Museums Association during the prior year. The Institutional grant of \$nil (2015 - \$11,160) was used to support the Visitor Experience Phase II Project and the Operational Staffing Grant of \$nil (2015 - \$25,000) was used to support a communications specialist staff position for 2016.

(d) The Society received a grant of \$nil (2015 - \$35,400) from the Department of Canadian Heritage, Community Anniversaries, Building Communities Through Arts and Heritage to support the 125th anniversary of the Lougheed House.

(e) The Society received a grant of \$40,000 (2015 - \$nil) from The Calgary Foundation to be used on 125th Anniversary celebrations at the Lougheed House.

(f) In the current year, revenues related to venue rentals for facility use that will happen in 2017 have been deferred. In the prior years there was no deferral as the amounts were immaterial.

| | 2016 | 2015 |
|---|-----------|-----------|
| Opening balance casino | \$ 5,982 | \$ 35,138 |
| Proceeds from casino (note 4 (a)) | 77,280 | - |
| Qualified expenditures on casino (note 4 (a)) | (34,925) | (29,156) |
| Casino balance | 48,337 | 5,982 |
| Children's Garden Donation | 2,500 | - |
| School Program Donation | 500 | - |
| Grosvenor House donation in year for 2016 expenditures (note 4 (b)) | - | 5,000 |
| Alberta Museum Association grants received for 2016 (note 4(c)) | - | 36,160 |
| Department of Canadian Heritage (note 4 (d)) | - | 35,400 |
| The Calgary Foundation (note 4(e)) | 20,000 | - |
| Deferred revenue related to venue rentals (note 4(f)) | 16,648 | - |
| | 39,648 | 76,560 |
| | \$ 87,985 | \$ 82,542 |

Lougheed House Conservation Society

Notes to the Financial Statements

December 31, 2016

6. Deferred contributions related to in-kind donations

During the year, the Society received \$nil (2015 - \$nil) of in-kind donations related to capital assets. These amounts have been deferred and are being amortized over the useful life of the related assets as follows:

| | 2016 | 2015 |
|-----------------------|-----------|------------|
| Opening balance | \$ 98,492 | \$ 123,965 |
| Recognized in revenue | (25,473) | (25,473) |
| | \$ 73,019 | \$ 98,492 |

7. Internally restricted funds

The internally restricted funds of the Society have been set aside by the Board of Directors to cover unexpected contingencies and future program development. They are available for use only by resolution of the Board of Directors. In the current year \$9,195 (2015 - \$nil) of this fund was used to purchase a new point of sale system.

8. Comparative amounts

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

9. Economic dependence

The Society receives the majority of its revenue through a funding agreement from the Government of Alberta, Ministry of Culture and Tourism. The Society's continued operations are dependent on this funding agreement and on satisfying the terms of the agreement.

10. Financial instruments

The Society is exposed to the following significant financial risks:

- (a) **Credit risk**
 Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The financial instruments that potentially subject the Society to a significant concentration of credit risk consist primarily of cash and accounts receivable. The Society mitigates its exposure to credit loss by placing its cash and restricted cash with major financial institutions.

Accounts receivable has no significant concentration of credit risk with any one party or industry. As such, credit risk of accounts receivable is considered low.

- (b) **Liquidity risk**
 Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. The Society's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time.

Lougheed House Conservation Society
Notes to the Financial Statements

December 31, 2016

11. Lease commitments

The Society's total commitments, under an office equipment lease, are as follows:

| | |
|------|-----------------|
| 2017 | \$ 3,384 |
| 2018 | <u>3,102</u> |
| | <u>\$ 6,486</u> |
