

**Lougheed House Conservation Society**  
*(a not-for-profit organization)*  
**Financial Statements**  
**December 31, 2013**

## **Independent Auditors' Report**

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To the Members  
Lougheed House Conservation Society  
(a not-for-profit organization)

We have audited the accompanying financial statements of Lougheed House Conservation Society (a not-for-profit organization), which comprise the statement of financial position as at December 31, 2013, 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.

### **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 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 qualified audit opinion.

**Basis for Qualified Opinion**

In common with many not-for-profit organizations, the Society derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Society and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets and net assets.

**Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Loughheed House Conservation Society (a not-for-profit organization) as at December 31, 2013, 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.

*Collins Barrow Calgary LLP*

CHARTERED ACCOUNTANTS

Calgary, Canada  
May 28, 2014

# Lougheed House Conservation Society

(a not-for-profit organization)

(Incorporated under the laws of Alberta)

## Statement of Financial Position

December 31, 2013

	2013	2012
<b>Assets</b>		
Current assets		
Cash	\$ 117,844	\$ 111,145
Accounts receivable (note 4)	15,331	16,899
Inventory	10,407	14,123
Prepaid expenses	<u>5,998</u>	<u>5,998</u>
	149,580	148,165
Capital assets (note 5)	<u>186,038</u>	<u>221,495</u>
	<u>\$ 335,618</u>	<u>\$ 369,660</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (note 4)	\$ 22,081	\$ 60,398
Loan payable (note 6)	9,433	-
Deferred revenue	2,670	-
Deferred contributions (note 7)	<u>50,000</u>	<u>119,241</u>
	84,184	179,639
Deferred contributions related to in-kind donations (note 8)	<u>142,770</u>	<u>166,191</u>
	<u>226,954</u>	<u>345,830</u>
<b>Net Assets</b>		
Invested in capital assets	43,268	55,304
Unrestricted	<u>65,396</u>	<u>(31,474)</u>
	<u>108,664</u>	<u>23,830</u>
	<u>\$ 335,618</u>	<u>\$ 369,660</u>
Going concern (note 2)		
Commitments (note 11)		

Approved by the Board,

\_\_\_\_\_, Director

\_\_\_\_\_, Director

# Lougheed House Conservation Society

(a not-for-profit organization)

## Statement of Operations

Year Ended December 31, 2013

	2013	2012
Revenue		
Admissions	\$ 13,659	\$ 14,457
Amortization of in-kind donations (note 8)	24,805	24,666
Casino	32,820	35,201
Donations	14,487	30,437
Government contract	440,000	475,000
Grants	80,039	37,691
Memberships	3,088	1,711
Merchandise	26,996	39,811
Other	882	3,686
Program and events	<u>209,282</u>	<u>262,958</u>
	<u>846,058</u>	<u>925,618</u>
Expenditures		
Advertising and promotion	12,152	78,022
Bad debts	4,210	-
Collections and exhibits	1,583	18,330
Garden	2,941	4,156
General and administrative	57,794	89,567
Interest and bank charges	11,293	9,977
Merchandise	10,658	14,931
Other	16,119	24,915
Professional fees	23,350	21,987
Program and events	6,536	51,549
Wages and benefits	572,833	658,896
Amortization	<u>41,755</u>	<u>40,986</u>
	<u>761,224</u>	<u>1,013,316</u>
Excess (deficiency) of revenue over expenditures before other income	84,834	(87,698)
Gain on disposal of marketable securities	<u>-</u>	<u>46</u>
Excess (deficiency) of revenue over expenditures	<u>\$ 84,834</u>	<u>\$ (87,652)</u>

# Lougheed House Conservation Society

(a not-for-profit organization)

## Statement of Changes in Net Assets

Year Ended December 31, 2013

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	Invested in Capital Assets	Unrestricted	Total
<b>Balance, December 31, 2012</b>	\$ 55,304	\$ (31,474)	\$ 23,830
Excess (deficiency) of revenue over expenditures	(16,950)	101,784	84,834
Deferred contributions related to capital assets	(1,384)	1,384	-
In-kind contributions of capital assets	1,384	(1,384)	-
Purchase of capital assets	<u>4,914</u>	<u>(4,914)</u>	<u>-</u>
<b>Balance, December 31, 2013</b>	<u>\$ 43,268</u>	<u>\$ 65,396</u>	<u>\$ 108,664</u>

# Lougheed House Conservation Society

(a not-for-profit organization)

## Statement of Cash Flows

Year Ended December 31, 2013

	2013	2012
Cash provided by (used in):		
Operating activities		
Excess (deficiency) of revenue over expenditures	\$ 84,834	\$ (87,652)
Add (deduct) items not affecting cash		
Amortization	41,755	40,986
Amortization of in-kind donations	(24,805)	(24,666)
Donated marketable securities (note 3)	-	(2,991)
Gain on disposal of marketable securities	-	(46)
	<u>101,784</u>	<u>(74,369)</u>
Changes in non-cash working capital (note 9)	<u>(99,604)</u>	<u>92,849</u>
	<u>2,180</u>	<u>18,480</u>
Financing activities		
Loan proceeds received	100,000	-
Repayment of loan payable	<u>(90,567)</u>	<u>-</u>
	<u>9,433</u>	<u>-</u>
Investing activities		
Purchase of capital assets	(4,914)	(5,176)
Proceeds from sale of marketable securities	<u>-</u>	<u>6,208</u>
	<u>(4,914)</u>	<u>1,032</u>
Increase in cash	6,699	19,512
Cash, beginning of year	<u>111,145</u>	<u>91,633</u>
Cash, end of year	<u>\$ 117,844</u>	<u>\$ 111,145</u>

Non-cash transactions (note 9)

# Lougheed House Conservation Society

(a not-for-profit organization)

## Notes to Financial Statements

December 31, 2013

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1. 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.

2. Going concern

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Society be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The continued operations of the Society are dependent on the ongoing financial support of its sponsors. Should the Society be unable to obtain the necessary financial support of its sponsors, it may be unable to continue as a going concern. If the Society was unable to continue as a going concern, adjustments to the amounts recorded in the financial statements may be needed.

3. Significant accounting policies

The financial statements were prepared in accordance with Canadian generally accepted accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) 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 \$9,467 (2012 - \$14,076) and was included in merchandise expense. No inventory was written down during the year ended December 31, 2013 (2012 - \$Nil).



# Lougheed House Conservation Society

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## Notes to Financial Statements

December 31, 2013

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(b) Amortization

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

Furniture and fixtures	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.

(c) Revenue recognition

The deferral method of accounting is used for contributions. 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 to be rendered in the next fiscal year have been deferred.

(d) 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 and the loan payable.

# Lougheed House Conservation Society

(a not-for-profit organization)

## Notes to Financial Statements

December 31, 2013

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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.

(e) Contributed goods and 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.

(f) Measurement uncertainty

The valuation of accounts receivable is based on management's best estimate 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.

4. Government remittances

Included in accounts receivable is Goods and Services Tax receivable of \$1,115 (2012 - \$4,264). Included in accounts payable and accrued liabilities are admissions due to the government of \$7,863 (2012 - \$NIL).

# Lougheed House Conservation Society

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## Notes to Financial Statements

December 31, 2013

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### 5. Capital assets

	Cost	Accumulated Amortization	Net Book Value	
			2013	2012
Furniture	\$ 390,516	\$ 211,219	\$ 179,297	\$ 216,045
Computer equipment	76,886	71,798	5,088	4,832
Computer software	<u>2,941</u>	<u>1,288</u>	<u>1,653</u>	<u>618</u>
	<u>\$ 470,343</u>	<u>\$ 284,305</u>	<u>\$ 186,038</u>	<u>\$ 221,495</u>

During the year, the Society recorded \$1,384 (2012 - \$11,298) of capital assets for various items that were donated in-kind to the Society.

### 6. Loan payable

	2013	2012
Social Enterprise Fund - \$100,000 loan is unsecured, repayable by blended monthly payments including interest at 4.5% per annum and due January 15, 2014	\$ <u>9,433</u>	\$ <u>-</u>

### 7. Deferred contributions

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

- The Society received proceeds from casinos of \$68,021 in the year ended December 31, 2012. The funds are designated for program expenses in the form of salary for the program director, program equipment and project and program publications. An amount equal to these deferred contributions is held in a separate bank account and included in cash.
- The Society received government contract proceeds of \$50,000 (2012 - \$50,000) to be used to pay for expenses incurred in the following year. The funds may be spent on administration, public programs and exhibitions, school programs, tours and promotions in support of the Society.
- The Society received a grant of \$35,000 in the year ended December 31, 2012 from the Calgary Foundation for audio tours of which \$18,243 (2012 - \$16,757) was spent during the year. The Society also received a grant of \$18,178 from the Alberta Museums Association in the 2012 year, which was to be spent on an exhibit; however, the exhibit did not occur and the grant was returned to Alberta Museums Association during the year ended December 31, 2013.

# Lougheed House Conservation Society

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## Notes to Financial Statements

December 31, 2013

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Changes in the deferred contributions balance are as follows:

	<b>2013</b>	<b>2012</b>
Opening balance	\$ 119,241	\$ 25,000
Proceeds from casino (note 7(a))	-	68,021
Qualified expenditures on casino (note 7(a))	(32,820)	(35,201)
Proceeds from government contract (note 7(b))	50,000	50,000
Use of prior year deferred government contract proceeds (note 7(b))	(50,000)	(25,000)
Proceeds from grants (note 7(c))	-	53,178
Repayment and use of proceeds of grants (note 7(c))	<u>(36,421)</u>	<u>(16,757)</u>
Ending balance	<u>\$ 50,000</u>	<u>\$ 119,241</u>

### 8. Deferred contributions related to in-kind donations

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

	<b>2013</b>	<b>2012</b>
Opening balance	\$ 166,191	\$ 179,559
In-kind donations received	1,384	11,298
Recognized in revenue	<u>(24,805)</u>	<u>(24,666)</u>
Ending balance	<u>\$ 142,770</u>	<u>\$ 166,191</u>

### 9. Changes in non-cash working capital

	<b>2013</b>	<b>2012</b>
Decrease (increase) in accounts receivable	\$ 1,568	\$ (5,763)
Decrease in inventory	3,716	4,804
Increase in prepaid expenses	-	(80)
Increase (decrease) in accounts payable and accrued liabilities	(38,317)	23,306
Decrease in scholarship fund	-	(23,659)
Increase in deferred revenue	2,670	-
Increase (decrease) in deferred contributions	<u>(69,241)</u>	<u>94,241</u>
Changes in non-cash working capital	<u>\$ (99,604)</u>	<u>\$ 92,849</u>

# Lougheed House Conservation Society

(a not-for-profit organization)

## Notes to Financial Statements

December 31, 2013

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During the year, the Society received non-cash donations of capital assets of \$1,384 (2012 - \$11,298).

### 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) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to interest rate price risk to the extent that the loan payable bears interest at a fixed rate.

#### (c) 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.

### 11. Lease commitments

The Society is committed under an office equipment lease for future minimum rental payments as follows:

2014	\$ 4,473
2015	<u>3,728</u>
	<u>\$ 8,201</u>