

NE CENTRE OF COMMUNITY SOCIETY

FINANCIAL STATEMENTS (Audited)

DECEMBER 31, 2016



NE CENTRE OF COMMUNITY SOCIETY

December 31, 2016

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Independent Auditor's Report

To the Members of:
NE Centre of Community Society

I have audited the financial statements of the NE Centre of Community Society as at December 31, 2016, which include the Statement of Financial Position and the Statements of Operations, Changes in Net Assets, Cash Flows, and a summary of significant accounting policies and other explanatory notes for the year then ended.

Management's Responsibility

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 necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian auditing standards for not-for-profit organizations. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the NE Centre of Community Society as at December 31, 2016 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Calgary, Alberta
February 27, 2017




Heidi Brauer CPA, CMA

NE CENTRE OF COMMUNITY SOCIETY
STATEMENT OF FINANCIAL POSITION
(Audited)

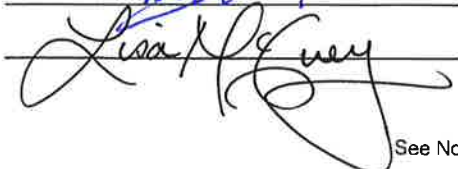
As at December 31, 2016

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, unrestricted	\$ 1,058,723	\$ 638,930
Lifecycle cash, internally restricted	178,959	-
Term deposit, unrestricted (Note 5)	20,788	20,779
Investment, internally restricted (Note 8)	288,422	269,265
Common Areas Operating Reserve Cash (Note 12)	5,062,503	-
Accounts receivable, unrestricted	1,053,507	1,263,500
GST receivable	20,629	35,405
Prepaid expense	90,219	28,364
	<u>7,773,750</u>	<u>2,256,243</u>
EXTERNALLY RESTRICTED ASSETS (Note 11)	81,326	-
LONG TERM INVESTMENT , internally restricted (Note 8)	2,817,916	2,118,267
PROPERTY AND EQUIPMENT (Note 3)	21,822,123	23,028,306
	<u>\$ 32,495,115</u>	<u>\$ 27,402,816</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 170,913	\$ 279,025
Deferred cash contributions (Note 11)	81,326	-
Deferred revenue	1,137,563	944,716
	<u>1,389,802</u>	<u>1,223,741</u>
COMMON AREAS OPERATING RESERVE (Note 12)	5,062,503	-
DEFERRED CAPITAL CONTRIBUTIONS (Note 6)	18,190,964	19,092,504
NET ASSETS		
Unrestricted	1,114,349	763,237
Internally restricted	3,106,338	2,387,532
Invested in property and equipment	3,631,159	3,935,802
	<u>7,851,846</u>	<u>7,086,571</u>
	<u>\$ 32,495,115</u>	<u>\$ 27,402,816</u>

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:



Director



Director

See Notes to the Financial Statements

NE CENTRE OF COMMUNITY SOCIETY
STATEMENT OF CHANGES IN NET ASSETS
(Audited)

For the Year Ended December 31, 2016

	Unrestricted	Internally Restricted	Invested in Property and Equipment	2016 Totals	2015 Totals
Balances, Beginning of the Year	\$ 763,237	2,387,532	3,935,802	7,086,571	6,340,874
Transfer of Funds (Note 8)	(718,806)	718,806	-	-	-
Increase (Decrease)	1,069,918	-	(304,643)	765,275	745,697
Balances, End of the Year	\$ 1,114,349	3,106,338	3,631,159	7,851,846	7,086,571

See Notes to Financial Statements

NE CENTRE OF COMMUNITY SOCIETY
STATEMENT OF OPERATIONS
(Audited)

For the Year Ended December 31, 2016

	2016	2015
REVENUE		
Facility rental	\$ 1,641,868	\$ 1,432,565
Commons area	386,168	277,525
Donations and government grants (Note 4)	743,814	714,997
Leases	317,064	316,518
Investment income (Note 10)	257,399	121,600
Admission and passes	243,940	231,347
Commission and sponsorship	118,216	79,624
Programs and supplies (14)	144,733	104,504
Casino contributions (Note 13)	41,524	-
	3,894,726	\$ 3,278,680
EXPENSES		
Wages and salaries	1,506,633	1,159,155
Commons area	589,368	541,945
Administration	253,116	209,906
Building operation	217,980	197,115
Programs and supplies	196,856	89,831
Marketing	79,105	61,218
	2,843,058	2,259,170
Excess of revenue over expenses before amortization	1,051,668	1,019,510
Depreciation expense	(1,225,244)	(1,224,332)
Amortization of deferred capital contributions (Note 6)	938,851	950,519
	(286,393)	(203,813)
EXCESS OF REVENUE OVER EXPENSES AFTER AMORTIZATION	\$ 765,275	\$ 745,697

See Notes to Financial Statements

NE CENTRE OF COMMUNITY SOCIETY
STATEMENT OF CASH FLOWS
(Audited)

For the Year Ended December 31, 2016

	2016	2015
Cash generated from (used in):		
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 765,275	\$ 745,697
Charges not requiring cash outlay:		
Depreciation	1,225,244	1,224,332
Amortization of deferred capital contributions (Note 6)	(938,851)	(950,519)
Changes in non-cash operating working capital:		
Accounts receivable	209,992	(573,787)
GST receivable	14,776	(10,943)
Prepaid expenses	(61,855)	(3,666)
Accounts payable	(108,112)	100,778
GST payable	-	(22,209)
Deferred revenue	192,848	166,016
	1,299,317	675,699
FINANCING ACTIVITIES		
Deferred Cash Contributions	81,326	-
Transfer to Common Area Reserve	5,062,503	-
Deferred capital contributions	37,310	453,733
	5,181,139	453,733
INVESTING ACTIVITIES		
Furniture & equipment	(19,060)	(1,005,980)
Construction costs	-	(159,402)
Investments	(718,815)	(590,556)
	(737,875)	(1,755,938)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,742,581	(626,506)
Cash and cash equivalents, beginning of the year	638,930	1,265,436
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 6,381,511	\$ 638,930
Consisting of:		
Cash and cash equivalents, unrestricted	\$ 1,058,723	\$ 638,930
Cash and cash equivalents, internally restricted	178,959	-
Common area operating reserve	5,062,503	-
Cash and cash equivalents, externally restricted	81,326	-
	\$ 6,381,511	\$ 638,930

See Notes to Financial Statements

NE CENTRE OF COMMUNITY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

1. SOCIETY

The NE Centre of Community Society ("the Society") was incorporated with the Province of Alberta on November 18, 2005 as a not for profit association and as such is exempt from income tax under section 149 of the Canadian Income Tax Act.

The Society currently is a registered charity.

The Society was established to build and sustain a strong community by encouraging community leadership, promoting volunteerism and creating a bridge between the diverse cultures within a fun family environment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared according to Canadian accounting standards for not for profit organizations, of which the most significant policies are:

Revenue Recognition:

Unrestricted contributions are recorded according to the accrual method where revenue is recognized when received or reasonable assurance is given, that it is receivable.

Externally restricted contributions are recorded according to the deferral method, where revenue is recognized when the related expense occurred. On December 31, 2015 and 2014, the Society did not hold externally restricted assets.

Contributed Services:

A number of volunteers have spent a considerable amount of time to develop the Societies projects. This contributed time has not been taken into consideration in these financial statements.

Basis of Accounting:

Management has concluded, that the going concern basis of accounting is appropriate for the Society.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less.

NE CENTRE OF COMMUNITY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

Financial Instruments

Measurement of Financial Instruments:

The Society initially measures its financial assets and financial liabilities at fair value. The Society subsequently measures all its financial assets and financial liabilities at cost or amortized cost. Changes in fair value of these financial instruments are recognized in net income. Financial instruments measured at amortized cost include cash, accounts receivable and accounts payable.

Financial Risk:

It is management's opinion that the Society is not exposed to significant interest, currency, price, market or credit risks arising from these financial instruments.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of revenues and expenses for the periods covered. The main estimates relate to the collectability of receivables, the useful life of property and equipment and the amounts recorded as accrued liabilities.

Property and Equipment

Property and equipment over \$5,000 are recorded at cost and amortized on a straight line basis over the estimated life of the asset according to the following rates:

Building and improvements	25 years
Furniture and equipment	10 years
Computer hard and software	3 years

No residual value and no 50% of amortization in the first year are taken into consideration.

3. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Net 2016	Net 2015
Equipment and furniture	\$ 2,127,084	739,126	1,387,958	1,574,632
Building	25,487,754	5,053,589	20,434,165	21,453,674
	<u>\$ 27,614,838</u>	<u>5,792,715</u>	<u>21,822,123</u>	<u>23,028,306</u>

The land the building is situated on is leased from the City of Calgary at a nominal fee.

NE CENTRE OF COMMUNITY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

4. DONATIONS AND GOVERNMENT GRANTS

	2016	2015
Canada Summer Job Grant	\$ 36,741	\$ 3,684
Donations*	707,073	711,313
	\$ 743,814	\$ 714,997

*Donations include \$500,000 from the Genesis Land Development Corporation for naming rights and \$200,000 from Walton International Group Inc.

5. TERM DEPOSITS/MANAGED FUNDS - to be adjusted

The Scotiabank is holding the following guaranteed investment certificate for the Society. This serves as security for the Visa credit card.

\$ 20,788 tiered interest rate, no maturity date

In July of 2014, the Society entrusted the Calgary Foundation with an operating reserve of \$250,000 and a capital maintenance reserve (Life Cycle) of \$1,516,152.

Both funds are recorded as internally restricted investments, the operating reserve as short term and the capital maintenance reserve as long term (Note 8). An additional \$500,000 plus interest are added yearly.

	2016	2015
Lifecycle cash, long term	\$ 2,817,916	\$ 2,118,268
Operating cash, short term	288,422	269,265
	\$ 3,106,338	\$ 2,387,533

6. DEFERRED CAPITAL CONTRIBUTIONS

Externally restricted cash contributed to the purchase of property and equipment is recorded as deferred capital contributions and will be amortized on the same basis and brought into income as the related capital asset is amortized and expensed.

	2016	2015
Carried forward from previous year	\$ 19,092,504	\$ 19,589,290
Plus: Addition	37,311	453,733
Less: Amortization	(938,851)	(950,519)
Balance to next year	\$ 18,190,964	\$ 19,092,504

**NE CENTRE OF COMMUNITY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2016

7. CONSULTING AND MANAGEMENT FEES

In prior years, a portion of the consulting fees were capitalized. There was no capitalization of consulting and management fees for 2016.

8. INTERNALLY RESTRICTED CASH

Aligned with the lease agreement with the City of Calgary (Note 9), in 2012 the Board of Directors set up two reserve funds. One is the Capital Maintenance Reserve Fund and the other is the Operating Reserve Fund. In 2016 an additional \$500,000 and interest were transferred (Note 5).

9. COMMITMENT

According to the lease agreement with the City of Calgary, the NE Centre of Community Society was required to establish two interest bearing reserve funds, a Capital Maintenance Reserve Fund and an Operating Reserve Fund. The Society contributed Five Hundred Thousand (\$500,000) Dollars each year for four years to attain the initial amount of the Capital Maintenance Reserve Fund of Two Million (\$2,000,000) Dollars.

In addition, the Society established an Operating Reserve in the initial amount of Two Hundred Thousand (\$200,000) Dollars, with a minimum value of Two Hundred Fifty Thousand (\$250,000) Dollars after five years. This commitment had been fulfilled during the 2015 fiscal year and some of these funds were transferred to a long term investment.

10. INVESTMENT INCOME

Investment income is a net amount consisting of:

	<u>2016</u>	<u>2015</u>
Interest	\$ 26,314	\$ 29,869
Dividends	62,145	87,048
Capital gain	78,422	270,844
Unrealized Gain/(loss)	90,518	(266,161)
	<u>\$ 257,399</u>	<u>\$ 121,600</u>

11. EXTERNALLY RESTRICTED ASSETS/DEFERRED CASH CONTRIBUTIONS

Unspent casino and grant funding are restricted to be spent according to approved objectives.

	<u>2016</u>	<u>2015</u>
Casino	\$ 28,421	\$ -
CFEP unspent	52,905	-
	<u>\$ 81,326</u>	<u>\$ -</u>

NE CENTRE OF COMMUNITY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

12. COMMON AREAS OPERATING RESERVE

During the fiscal year the Society was entrusted by the City of Calgary and the NECC Governance Board with \$5,062,503 for the NECC Common Areas Operating Reserve Fund. This fund is to be invested with the Calgary Foundation with forecasted withdrawals annually of \$250,000.

The Common Areas Operating Fund has been designated by the Governance Board as a "quasi-endowment fund" and, as such, it is intended that the principal of the Fund be preserved with only the annual income from the Fund being used to offset the operating costs of the Common Areas. It should be noted, that the Governance Board does have the right to decide at any time to expend some or all of the principal of the Common Areas Operating Fund, but would only do so under extraordinary circumstances.

13. CASINO CONTRIBUTIONS

	<u>2016</u>	<u>2015</u>
Casino Pool	\$ 70,023	\$ -
Less: Bank charges	78	-
Less: Casino bank balance December 31, 2016 (Note 11)	<u>28,421</u>	-
Contribution to operations	<u>\$ 41,524</u>	<u>\$ -</u>

14. PROGRAMS AND SUPPLIES

	<u>2016</u>	<u>2015</u>
Revenues:		
Partnership Initiatives	\$ 95,378	\$ 97,487
Revenue share program	49,355	2,016
Cultural Festival	-	5,001
	<u>144,733</u>	<u>104,504</u>
Expenses:		
3rd party service and equipment	142,534	89,326
Revenue share program	39,964	-
Partnership initiatives	14,357	-
Cultural Festival	-	505
	<u>196,855</u>	<u>89,831</u>
Excess of revenue over expenses	<u>\$ (52,122)</u>	<u>\$ 14,673</u>