

NE CENTRE OF COMMUNITY SOCIETY

FINANCIAL STATEMENTS (Audited)

DECEMBER 31, 2017



NE CENTRE OF COMMUNITY SOCIETY

December 31, 2017

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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, 2017, 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.

Qualified Opinion

During the fiscal year, the Association changed software companies. Due to the difficulty in reconciling the change-over, the cut-off may not be accurate, which would have an effect on receivables, payables and revenues from the two software companies.

Opinion

In my opinion, except for the difficulty in convincing myself of the exact receivables and payables from the Software companies, these financial statements present fairly, in all material respects, the financial position of the NE Centre of Community Society as at December 31, 2017 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
March 26, 2018


Heidi Brauer
Chartered Professional Accountant

**NE CENTRE OF COMMUNITY SOCIETY
STATEMENT OF FINANCIAL POSITION**

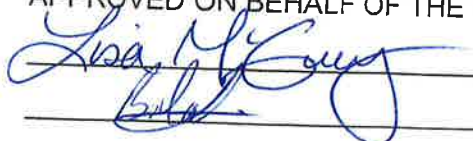

(Audited)

As at December 31, 2017

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, unrestricted	\$ 394,713	\$ 1,058,723
Lifecycle cash, internally restricted	244,102	178,959
Term deposit, unrestricted (Note 5)	20,797	20,788
Investment, internally restricted (Notes 5 & 8)	1,409,640	288,422
Accounts receivable, unrestricted	1,293,536	1,053,507
GST receivable	31,820	20,629
Prepaid expense	60,028	90,219
	3,454,636	2,711,247
EXTERNALLY RESTRICTED ASSETS (Note 10)	65,544	81,326
COMMON AREAS OPERATING RESERVE (Note 11)	5,616,011	5,062,503
LONG TERM INVESTMENT, internally restricted (Notes 5 & 8)	3,105,574	2,817,916
PROPERTY AND EQUIPMENT (Note 3)	20,762,296	21,822,123
	\$ 33,004,061	\$ 32,495,115
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 227,186	\$ 170,913
Deferred cash contributions (Note 10)	65,544	81,326
Deferred revenue	770,773	1,137,563
	1,063,503	1,389,802
DEFERRED CAPITAL CONTRIBUTIONS (Note 6)	17,292,636	18,190,964
NET ASSETS		
Unrestricted	802,935	1,114,349
Common Areas Operating Reserve (Note 11)	5,062,503	5,062,503
Internally restricted	5,312,824	3,106,338
Invested in property and equipment	3,469,660	3,631,159
	14,647,922	12,914,349
	\$ 33,004,061	\$ 32,495,115

Commitment (Note 9)

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, 2017

	Unrestricted	Internally Restricted	Invested in Property and Equipment	Common Areas Operating Reserve	2017 Totals	2016 Totals
Balances, Beginning of the Year	\$ 1,114,349	3,106,338	3,631,159	5,062,503	12,914,349	7,086,571
Transfer of Funds (Note 8)	(2,206,486)	2,206,486	-	-	-	-
Increase (Decrease)	1,895,072	-	(161,499)	-	1,733,573	765,275
Balances, End of the Year	\$ 802,935	5,312,824	3,469,660	5,062,503	14,647,922	7,851,846

See Notes to Financial Statements

NE CENTRE OF COMMUNITY SOCIETY
STATEMENT OF OPERATIONS
(Audited)

For the Year Ended December 31, 2017

	2017	2016
REVENUE		
Facility rental	\$ 2,359,178	\$ 1,641,868
Investment income (Note 9)	1,014,949	257,399
Donations and government grants (Note 4)	900,692	743,814
Commons area	430,299	386,168
Leases	328,395	317,064
Admission and passes	193,508	243,940
Programs and supplies (13)	150,172	144,733
Commission and sponsorship	116,170	118,216
Casino contributions (Note 12)	27,421	41,524
	5,520,784	\$ 3,894,726
EXPENSES		
Wages and salaries	1,586,861	1,506,633
Common area	601,004	589,368
Canada 150 programs and supplies	340,014	-
Administration	338,366	253,116
Programs and supplies	285,008	196,856
Building operation	252,765	217,980
Marketing	93,831	79,105
	3,497,849	2,843,058
Excess of revenue over expenses before amortization	2,022,935	1,051,668
Depreciation expense	(1,240,595)	(1,225,244)
Amortization of deferred capital contributions (Note 6)	951,233	938,851
	1,733,573	\$ 765,275
EXCESS OF REVENUE OVER EXPENSES AFTER AMORTIZATION	\$ 1,733,573	\$ 765,275

See Notes to Financial Statements

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

For the Year Ended December 31, 2017

	2017	2016
Cash generated from (used in):		
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 1,733,573	\$ 765,275
Charges not requiring cash outlay:		
Depreciation	1,240,595	1,225,244
Amortization of deferred capital contributions (Note 6)	(951,233)	(938,851)
Changes in non-cash operating working capital:		
Accounts receivable	(240,029)	209,992
GST receivable	(11,191)	14,776
Prepaid expenses	30,191	(61,855)
Accounts payable	56,273	(108,112)
Deferred revenue	(366,790)	192,848
	1,491,389	1,299,317
FINANCING ACTIVITIES		
Deferred Cash Contributions	(15,783)	81,326
Transfer to Common Area Reserve	-	5,062,503
Deferred capital contributions	37,310	37,310
	21,527	5,181,139
INVESTING ACTIVITIES		
Furniture & equipment	(114,988)	(19,060)
Construction costs	(50,183)	-
Investments	(1,408,886)	(718,815)
	(1,574,057)	(737,875)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(61,141)	5,742,581
Cash and cash equivalents, beginning of the year	6,381,511	638,930
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 6,320,370	\$ 6,381,511
Consisting of:		
Cash and cash equivalents, unrestricted	\$ 394,713	\$ 1,058,723
Cash and cash equivalents, internally restricted	244,102	178,959
Common areas operating reserve	5,616,011	5,062,503
Cash and cash equivalents, externally restricted	65,544	81,326
	\$ 6,320,370	\$ 6,381,511

See Notes to Financial Statements

NE CENTRE OF COMMUNITY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

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, 2017

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 2017	Net 2016
Equipment and furniture	\$ 2,242,073	1,761,494	480,579	1,387,958
Building	25,553,534	5,271,817	20,281,717	20,434,165
	<u>\$ 27,795,607</u>	<u>7,033,311</u>	<u>20,762,296</u>	<u>21,822,123</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, 2017

4. DONATIONS AND GOVERNMENT GRANTS

	<u>2017</u>	<u>2016</u>
Canada Summer Job grant	\$ 40,439	\$ 36,741
Canada 150 grant	351,920	-
Donations*	508,333	707,073
	<u>\$ 900,692</u>	<u>\$ 743,814</u>

*Donations include \$500,000 from the Genesis Land Development Corporation for naming rights and \$8,333 from Walton International Group Inc.

5. TERM DEPOSITS/MANAGED FUNDS

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

\$ 20,797 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.

	<u>2017</u>	<u>2016</u>
Lifecycle cash, long term	\$ 3,105,574	\$ 2,817,916
Operating cash, short term	1,409,640	288,422
	<u>\$ 4,515,214</u>	<u>\$ 3,106,338</u>

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.

	<u>2017</u>	<u>2016</u>
Carried forward from previous year	\$ 18,190,964	\$ 19,092,504
Plus: Addition	52,905	37,311
Less: Amortization	(951,233)	(938,851)
Balance to next year	<u>\$ 17,292,636</u>	<u>\$ 18,190,964</u>

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

December 31, 2017

7. INTERNALLY RESTRICTED CASH

Aligned with the lease agreement with the City of Calgary (Note 8), 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 2017 an additional \$500,000 (2016 \$500,000) and interest were transferred (Note 5).

8. 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.

9. INVESTMENT INCOME

Investment income is a net amount consisting of:

	<u>2017</u>	<u>2016</u>
Interest	\$ 84,413	\$ 26,314
Dividends	144,351	62,145
Capital gain	311,130	78,422
Unrealized Gain/(loss)	475,055	90,518
	<u>\$ 1,014,949</u>	<u>\$ 257,399</u>

10. EXTERNALLY RESTRICTED ASSETS/DEFERRED CASH CONTRIBUTIONS

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

	<u>2017</u>	<u>2016</u>
Casino	\$ 65,544	\$ 28,421
CFEP unspent	-	52,905
	<u>\$ 65,544</u>	<u>\$ 81,326</u>

NE CENTRE OF COMMUNITY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

11. COMMON AREAS OPERATING RESERVE

During the 2016 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 was 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.

12. CASINO CONTRIBUTIONS

	<u>2017</u>	<u>2016</u>
Casino beginning balance	\$ 28,421	\$ -
Plus: Casino pool	64,616	70,023
Less: Bank charges	72	78
Less: Casino bank balance December 31, 2017 (Note 10)	<u>65,544</u>	<u>28,421</u>
Contribution to operations	<u>\$ 27,421</u>	<u>\$ 41,680</u>

13. PROGRAMS AND SUPPLIES

	<u>2017</u>	<u>2016</u>
Revenues:		
Partnership Initiatives	\$ 96,789	\$ 95,378
Revenue share program	30,634	49,355
Cultural Festival	22,749	-
	<u>150,172</u>	<u>144,733</u>
Expenses:		
3rd party service and equipment	209,929	142,534
Revenue share program	29,359	39,964
Partnership initiatives	22,539	14,357
Cultural Festival	23,181	-
	<u>285,008</u>	<u>196,855</u>
Excess of revenue over expenses	<u>\$ (134,836)</u>	<u>\$ (52,122)</u>

14. COMPARATIVE DATA

Certain of the 2016 data has been reclassified to agree with this year's presentation.

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

December 31, 2017

15. SUPPORT TO COMMUNITY GROUPS

Genesis Centre is committed to giving back to the Community it serves. In 2017, the Genesis Centre hosted over thirty free community events under the Canada 150 banner for a cost of \$53,000.

An additional 606 community engagement events were hosted free of charge at a cost of \$39,465. As well as the free event space, \$3,450 in free admissions were provided.

The total in subsidized free community services provided in 2017 was \$95,915. This free service is not included in the financial statements.