

NE CENTRE OF COMMUNITY SOCIETY

FINANCIAL STATEMENTS (Audited)

DECEMBER 31, 2019



NE CENTRE OF COMMUNITY SOCIETY

DECEMBER 31, 2019

Contents

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Operations	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 12



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Independent Auditor's Report

**To the Members of:
NE Centre of Community Society**

Report on the Audit of the Financial Statements

Opinion

I have audited the Statement of Financial Position of the NE Centre of Community Society (NECC) as at December 31, 2019 and the Statements of Operations, Net Assets and Cash Flows and a summary of significant accounting policies and other explanatory notes for the year ended December 31, 2019.

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, 2019 and the results of its operations and cash flows for the year ended December 31, 2019 in accordance with Canadian accounting standards for not-for-profit associations.

Basis for Opinion

I am independent of the NE Centre of Community Society in accordance with the ethical requirements that are relevant to my audit and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole in forming my opinion thereon and I do not provide a separate opinion on these matters. During the course of our audit we realized that the unrealized gain at \$1,000,454 was substantial to the overall operations of the Society. I separated it from ordinary investment income and showed the excess of revenue before and after unrealized gain/(loss).

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 associations 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.

In preparing the financial statements, management is responsible for assessing the NE Centre of Community's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

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. 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, concluding on the appropriateness of management's use of the going concern basis of accounting as well as evaluating the overall presentation of the financial statements.

I communicate with those charged with governance regarding the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that I identify during my audit.



Heidi Brauer
Chartered Professional Accountant

Calgary, Alberta
March 25, 2020


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

As at December 31, 2019


	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, unrestricted	\$ 172,085	\$ 624,481
Lifecycle cash, internally restricted	168,755	166,572
Term deposit, unrestricted (Note 5)	20,802	20,801
Investment, internally restricted (Notes 5 & 8)	1,287,767	1,906,442
Accounts receivable, unrestricted	1,795,513	382,214
GST receivable	38,802	30,375
Prepaid expense	71,789	23,811
	3,555,513	3,154,696
EXTERNALLY RESTRICTED ASSETS (Note 10)	2,072,086	1,944
COMMON AREAS OPERATING RESERVE (Note 11)	5,658,138	5,367,900
LONG TERM INVESTMENT, internally restricted (Notes 5 & 8)	3,488,342	3,100,833
PROPERTY AND EQUIPMENT (Note 3)	18,879,392	19,828,353
	\$ 33,653,471	\$ 31,453,726
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 158,138	\$ 202,451
Deferred cash contributions (Note 10)	2,072,086	1,944
Deferred revenue	18,074	63,282
	2,248,298	267,677
DEFERRED CAPITAL CONTRIBUTIONS (Note 6)	15,566,132	16,399,795
NET ASSETS		
Unrestricted	1,922,779	815,949
Common Areas Operating Reserve (Note 11)	5,658,138	5,367,900
Internally restricted	4,944,864	5,173,847
Invested in property and equipment	3,313,260	3,428,558
	15,839,041	14,786,254
	\$ 33,653,471	\$ 31,453,726

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, 2019

	Unrestricted	Internally Restricted	Invested in Property and Equipment	Common Areas Operating Reserve	2019 Totals	2018 Totals
Balances, Beginning of the Year	815,949	5,173,847	3,428,558	5,367,900	14,786,254	14,647,922
Transfer of Funds (Note 8)	228,983	(228,983)	-	-	-	-
Increase (Decrease)	877,847	-	(115,298)	290,238	1,052,787	138,332
Balances, End of the Year	\$ 1,922,779	4,944,864	3,313,260	5,658,138	15,839,041	14,786,254

See Notes to Financial Statements

NE CENTRE OF COMMUNITY SOCIETY
STATEMENT OF OPERATIONS
(Audited)

For the Year Ended December 31, 2019

	2019	2018
REVENUE		
Facility rental	\$ 1,701,450	\$ 1,770,876
Donations and government grants (Note 4)	787,273	501,890
Investment income (Note 9)	478,008	605,671
Commons area	475,772	451,614
Leases	327,102	335,030
Admission and passes	189,231	189,481
Programs and supplies (Note 13)	136,371	159,934
Commission and sponsorship	101,366	120,102
Casino contributions (Note 12)	-	63,527
	4,196,573	\$ 4,198,125
EXPENSES		
Wages and benefits	1,735,479	1,595,226
Common area	901,127	772,990
Programs & supplies (Note 13)	447,343	204,409
Administration	406,803	365,305
Building operations	279,372	272,016
Marketing	66,329	73,777
	3,836,453	3,283,723
Excess of revenue over expenses before amortization and unrealized gain/(loss)	360,120	914,402
Depreciation expense	(1,266,450)	(1,253,750)
Amortization of deferred capital contributions (Note 6)	958,663	953,666
Excess of revenue after amortization and before unrealized gain/(loss)	52,333	614,318
Unrealized gain/(loss)	1,000,454	(475,986)
EXCESS OF REVENUE OVER EXPENSES AFTER AMORTIZATION AND UNREALIZED GAIN/(LOSS)	\$ 1,052,787	\$ 138,332

See Notes to Financial Statements

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

For the Year Ended December 31, 2019

	2019	2018
Cash generated from (used in):		
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 1,052,787	\$ 138,332
Charges not requiring cash outlay:		
Depreciation	1,266,450	1,253,750
Amortization of deferred capital contributions (Note 6)	(958,663)	(953,666)
Changes in non-cash operating working capital:		
Accounts receivable	(1,413,298)	911,321
GST receivable	(8,427)	1,445
Prepaid expenses	(47,978)	36,217
Accounts payable	(44,313)	(24,736)
Deferred revenue	(45,208)	(707,491)
	(198,650)	655,172
FINANCING ACTIVITIES		
Deferred Cash Contributions	2,070,142	(63,599)
Deferred capital contributions	125,000	60,825
	2,195,142	(2,774)
INVESTING ACTIVITIES		
Furniture & equipment	-	(6,048)
Construction costs	(317,490)	(313,759)
Investments	231,165	(492,064)
	(86,325)	(811,871)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,910,167	(159,473)
Cash and cash equivalents, beginning of the year	6,160,897	6,320,370
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 8,071,064	\$ 6,160,897
Consisting of:		
Cash and cash equivalents, unrestricted	\$ 172,085	\$ 624,481
Cash and cash equivalents, internally restricted	168,755	166,572
Common areas operating reserve	5,658,138	5,367,900
Cash and cash equivalents, externally restricted	2,072,086	1,944
	\$ 8,071,064	\$ 6,160,897

See Notes to Financial Statements

NE CENTRE OF COMMUNITY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

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.

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.

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, 2019

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 2019	Net 2018
Equipment and furniture	\$ 2,248,121	2,199,158	48,963	267,795
Building	<u>26,184,782</u>	<u>7,354,353</u>	<u>18,830,429</u>	<u>19,560,558</u>
	<u>\$ 28,432,903</u>	<u>9,553,511</u>	<u>18,879,392</u>	<u>19,828,353</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, 2019

4. DONATIONS AND GOVERNMENT GRANTS

	2019	2018
Government grants	\$ 287,023	\$ 1,890
Donations*	500,250	500,000
	\$ 787,273	\$ 501,890

*Donations include \$500,000 from the Genesis Land Development Corporation for naming rights. Funds will be received until 2021 with naming rights for an additional five year.

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.

\$ 20,802 Maturing August 27, 2020 @ 2.8%

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.

	2018	Addition	Investment income	Unrealized Gain	Withdrawals	Admin. fees	2019
Operating cash, short term	\$ 1,906,442	500,000	100,038	211,805	(1,400,000)	(30,518)	1,287,767
Lifecycle cash, long term	3,100,833	-	131,882	299,739	-	(44,112)	3,488,342
	\$ 5,007,275	500,000	231,920	511,544	(1,400,000)	(74,630)	4,776,109

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.

	2019	2018
Carried forward from previous year	\$ 16,399,795	\$ 17,292,636
Plus: Addition	125,000	60,825
Less: Amortization	(958,663)	(953,666)
Balance to next year	\$ 15,566,132	\$ 16,399,795

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

December 31, 2019

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 2019 an additional \$500,000 (2018 \$500,000) and interest were transferred and \$1,400,000 were withdrawn (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>2019</u>	<u>2018</u>
Interest	\$ 98,644	\$ 91,377
Dividends	209,246	152,823
Capital gain	<u>170,118</u>	<u>361,471</u>
Investment income before unrealized gain/(loss)	478,008	605,671
Unrealized Gain/(loss)	<u>1,000,454</u>	<u>(475,986)</u>
Investment income after unrealized gain/(loss)	<u>\$ 1,478,462</u>	<u>\$ 129,685</u>

10. EXTERNALLY RESTRICTED ASSETS/DEFERRED CASH CONTRIBUTIONS

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

	<u>2019</u>	<u>2018</u>
Casino	\$ 72,086	\$ 1,944
Capital grant from Province of Alberta	<u>2,000,000</u>	<u>-</u>
	<u>\$ 2,072,086</u>	<u>\$ 1,944</u>

The grant from the Minister of Culture and Tourism will be spent for the installation of an outdoor artificial turf playing field..

NE CENTRE OF COMMUNITY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

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.

2018 Balance	Withdrawals	Investment Income	Unrealized Gain	Admin. Fees	2019 Balance
\$5,367,900	350,000	214,277	488,910	62,949	5,658,138

12. CASINO CONTRIBUTIONS

	2019	2018
Casino beginning balance	\$ 1,944	\$ 65,544
Plus: Casino pool	70,220	-
Less: Bank charges	78	73
Less: Casino bank balance (Note 10)	72,086	1,944
Contribution to operations	\$ -	\$ 63,527

13. PROGRAMS AND SUPPLIES

	2019	2018
Revenues:		
Partnership Initiatives	\$ 131,820	\$ 138,212
Revenue share program	-	133
Cultural Festival	4,551	21,589
	136,371	159,934
Expenses:		
3rd party service and equipment	208,196	171,580
Revenue share program	-	-
Partnership initiatives	12,874	12,433
Cultural Festival*	226,273	20,396
	447,343	204,409
Excess of revenue over expenses	\$ (310,972)	\$ (44,475)

* Please note that \$37,500 in wages and benefits are recorded under wages and benefits.

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

December 31, 2019

14. SUPPORT TO COMMUNITY GROUPS

The Society is committed to giving back to the Community it serves. In 2018 and 2019, the Society hosted a number of free community events. In addition to these events, the Society gives back to the community with volunteer hours, free drop-in and play days, subsidized rentals and a number of other initiatives.

15. SUBSEQUENT EVENT

The facility was ordered to close temporarily by the local government at the middle of March 2020 due to the COVIT-19 pandemic. How long the closure will last and the financial impact cannot be estimated at this time.