

NE CENTRE OF COMMUNITY SOCIETY

FINANCIAL STATEMENTS (Audited)

DECEMBER 31, 2020

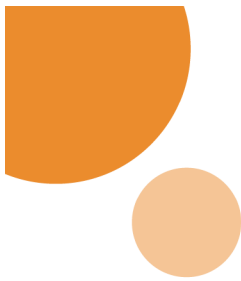


NE CENTRE OF COMMUNITY SOCIETY

DECEMBER 31, 2020

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Heidi Brauer

Chartered Professional Accountant

(403) 244-4111 ext. 209
heidi.brauer@calgarycommunities.com
110, 720 - 28 Street NE Calgary, AB T2A 6R3

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, 2020 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, 2020.

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, 2020 and the results of its operations and cash flows for the year ended December 31, 2020 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 in 2019 the unrealized gain at \$1,000,454 (2020 - \$276,720) 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.

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 would like to draw your attention to Note 16 - Uncertainty due to the COVID-19 pandemic.

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.

Calgary, Alberta
March 15, 2021



Heidi Brauer
Chartered Professional Accountant

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

As at December 31, 2020

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, unrestricted	\$ 478,934	\$ 172,085
Lifecycle cash, internally restricted	-	168,755
Term deposit, unrestricted (Note 5)	-	20,802
Investment, internally restricted (Notes 5 & 8)	1,476,638	1,287,767
Accounts receivable, unrestricted	469,866	1,795,513
GST receivable	22,888	38,802
Prepaid expense	26,103	71,789
	2,474,429	3,555,513
EXTERNALLY RESTRICTED ASSETS (Note 10)	3,421	2,072,086
COMMON AREAS OPERATING RESERVE (Note 11)	5,673,935	5,658,138
LONG TERM INVESTMENT, internally restricted (Notes 5 & 8)	3,722,988	3,488,342
PROPERTY AND EQUIPMENT (Note 3)	21,347,977	18,879,392
	\$ 33,222,750	\$ 33,653,471
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 120,044	\$ 158,138
Deferred cash contributions (Note 10)	3,420	2,072,086
Deferred revenue	-	18,074
	123,464	2,248,298
DEFERRED CAPITAL CONTRIBUTIONS (Note 6)	16,607,470	15,566,132
NET ASSETS		
Unrestricted	877,748	1,922,779
Common Areas Operating Reserve (Note 11)	5,673,935	5,658,138
Internally restricted	5,199,626	4,944,864
Invested in property and equipment	4,740,507	3,313,260
	16,491,816	15,839,041
	\$ 33,222,750	\$ 33,653,471

Commitment (Note 8)

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, 2020

	Unrestricted	Internally Restricted	Invested in Property and Equipment	Common Areas Operating Reserve	2020 Totals	2019 Totals
Balances, beginning of year	1,922,779	4,944,864	3,313,260	5,658,138	15,839,041	14,786,254
Transfer of Funds	(254,762)	254,762	-	-	-	-
Increase (Decrease)	(790,269)	-	1,427,247	15,797	652,775	1,052,787
Balances, end of year	\$ 877,748	5,199,626	4,740,507	5,673,935	16,491,816	15,839,041

See Notes to Financial Statements

NE CENTRE OF COMMUNITY SOCIETY
STATEMENT OF OPERATIONS
(Audited)

For the Year Ended December 31, 2020

	2020	2019
REVENUE		
Donations and Government grants (Note 4)	\$ 1,149,578	\$ 787,273
Facility rental	545,255	1,701,450
Commons area	315,946	475,772
Leases	243,709	327,102
Admission and passes	127,691	189,231
Commission and sponsorship	113,007	101,366
Casino contributions (Note 12)	68,593	-
Programs and supplies (Note 13)	52,373	136,371
	2,616,152	\$ 3,718,565
EXPENSES		
Wages and benefits	1,424,527	1,735,479
Common area	712,199	901,127
Administration	286,238	406,803
Building operations	205,747	279,372
Marketing	54,208	66,329
Programs and supplies (Note 13)	35,666	447,343
	2,718,585	3,836,453
Deficiency of revenue over expenses from operations	(102,433)	(117,888)
Investment income (Note 9)	595,925	478,008
Depreciation expense	(1,076,100)	(1,266,450)
Amortization of deferred capital contributions (Note 6)	958,663	958,663
Excess of revenue after amortization, investment income and before unrealized gain	376,055	52,333
Unrealized gain (Note 9)	276,720	1,000,454
EXCESS OF REVENUE OVER EXPENSES AFTER AMORTIZATION AND UNREALIZED GAIN	\$ 652,775	\$ 1,052,787

See Notes to Financial Statements

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

For the Year Ended December 31, 2020

	2020	2019
Cash generated from (used in):		
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 652,775	\$ 1,052,787
Charges not requiring cash outlay:		
Depreciation	1,076,100	1,266,450
Amortization of deferred capital contributions (Note 6)	(958,663)	(958,663)
Changes in non-cash operating working capital:		
Accounts receivable	1,325,647	(1,413,299)
GST receivable	15,914	(8,427)
Prepaid expenses	45,686	(47,978)
Accounts payable	(38,094)	(44,313)
Deferred revenue	(18,074)	(45,208)
	2,101,291	(198,651)
FINANCING ACTIVITIES		
Deferred Cash Contributions	(2,068,666)	2,070,142
Deferred capital contributions	2,000,000	125,000
	(68,666)	2,195,142
INVESTING ACTIVITIES		
Furniture & equipment	(144,684)	-
Construction costs	(3,400,000)	(317,490)
Investments	(418,512)	(59,072)
	(3,963,196)	(376,562)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,930,571)	1,619,929
Cash and cash equivalents, beginning of the year	2,412,926	792,997
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 482,355	\$ 2,412,926
Consisting of:		
Cash and cash equivalents, unrestricted	\$ 478,934	\$ 172,085
Cash and cash equivalents, internally restricted	-	168,755
Cash and cash equivalents, externally restricted	3,421	2,072,086
	\$ 482,355	\$ 2,412,926

See Notes to Financial Statements

NE CENTRE OF COMMUNITY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

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, 2020

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 2020	Net 2019
Equipment and furniture	\$ 2,392,805	2,227,636	165,169	48,963
Building	29,584,783	8,401,975	21,182,808	18,830,429
	<u>\$ 31,977,588</u>	<u>10,629,611</u>	<u>21,347,977</u>	<u>18,879,392</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, 2020

4. DONATIONS AND GOVERNMENT GRANTS

	2020	2019
Government grants*1	\$ 646,575	\$ 287,023
Donations*2	503,003	500,250
	\$ 1,149,578	\$ 787,273

*1 Government grants include \$571,415 Canada Emergency Wage Subsidy (CEWS), \$41,160 Canada Emergency Community Rent Subsidy (CECRA), \$5,000 Alberta Relaunch grant, \$4,000 Alberta Culture Days Grant, \$15,000 Alberta Small and Medium Enterprises Relaunch Grant, and \$10,000 City of Calgary Emergency Resiliency Fund. (2019 - \$250,000 Minister of Culture & Tourism - Multicultural Grant, \$28,766 Summer Student - wage grant and miscellaneous small other grants).

*2 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

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). As per board approval, additional \$500,000 plus interest were added yearly, except for 2020, when the \$500,000 were not invested due to the uncertainty of the COVID-19 pandemic (Note 16).

	2019	Addition	Investment income	Unrealized Gain	Withdrawals	Admin. fees	2020
Operating cash, short term	\$ 1,287,767	-	144,723	71,705	-	(27,557)	1,476,638
Lifecycle cash, long term	3,488,343	-	187,575	92,881	-	(45,811)	3,722,988
	\$ 4,776,110	-	332,298	164,586	-	(73,368)	5,199,626

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.

	2020	2019
Carried forward from previous year	\$ 15,566,132	\$ 16,399,795
Plus: Addition	2,000,001	125,000
Less: Amortization	(958,663)	(958,663)
Balance to next year	\$ 16,607,470	\$ 15,566,132

NE CENTRE OF COMMUNITY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

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 2020 Nil (2019 an additional \$500,000) and interest were transferred and \$ Nil (2019 - \$1,400,000) were withdrawn (Note 5). The withdrawal was transferred to the City of Calgary as part of the deposit for the turf project.

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>2020</u>	<u>2019</u>
Interest	\$ 98,449	\$ 98,644
Dividends	207,843	209,246
Capital gain	<u>289,633</u>	<u>170,118</u>
Investment income before unrealized gain	595,925	478,008
Unrealized Gain	<u>276,720</u>	1,000,454
Investment income after unrealized gain	<u>\$ 872,645</u>	<u>\$ 1,478,462</u>

10. EXTERNALLY RESTRICTED ASSETS/DEFERRED CASH CONTRIBUTIONS

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

	<u>2020</u>	<u>2019</u>
Casino	\$ 3,421	\$ 72,086
Capital grant from Province of Alberta	-	2,000,000
	<u>\$ 3,421</u>	<u>\$ 2,072,086</u>

The grant from the Minister of Culture and Tourism was spent for a deposit on the installation of an outdoor artificial turf playing field. The work will be completed in 2021.

NE CENTRE OF COMMUNITY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

11. COMMON AREAS OPERATING RESERVE

During the 2016 fiscal year, the Society was entrusted by the City of Calgary and the NECCS Governance Board with \$5,062,503 for the NECCS 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.

2019 Balance	Withdrawals	Investment Income	Unrealized Gain	Admin. Fees	2020 Balance
\$5,658,138	250,000	206,613	112,133	52,949	5,673,935

12. CASINO CONTRIBUTIONS

	2020	2019
Casino beginning balance	\$ 72,086	\$ 1,944
Plus: Casino pool	-	70,220
Less: Bank charges	72	78
Less: Casino bank balance (Note 10)	3,421	72,086
Contribution to operations	<u>\$ 68,593</u>	<u>\$ -</u>

13. PROGRAMS AND SUPPLIES

	2020	2019
Revenues:		
Partnership Initiatives	\$ 47,859	\$ 131,820
Revenue share program	2,909	-
Cultural Festival	1,605	4,551
	<u>52,373</u>	<u>136,371</u>
Expenses:		
3rd party service and equipment	9,314	208,196
Partnership initiatives	9,644	12,874
Community*	16,708	226,273
	<u>35,666</u>	<u>447,343</u>
Excess of revenue over expenses	<u>\$ 16,707</u>	<u>\$ (310,972)</u>

* Please note that for 2019, \$37,500 in wages and benefits for the cultural festival had been recorded under wages and benefits.

NE CENTRE OF COMMUNITY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

14. SUPPORT TO COMMUNITY GROUPS

The Society is committed to giving back to the Community it serves. In 2020 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. Additionally, the Society extended monetary grants and scholarships amounting to \$12,000 (2019 - \$13,000) to various organizations and individuals.

15. SUBSEQUENT EVENTS

A security breach of unauthorized access to the email account of a staff by a very sophisticated group of scammers has surfaced recently. This may result in some financial loss to the organization. The operational ability of the organization to run the business is unaffected. However, if the financial loss is unrecoverable, this may impact negatively the medium term sustainability. Investigations are underway and efforts are made to make recovery. Genesis Centre is taking all measures to mitigate the financial impact of this breach and putting additional measures in place to reduce the risk of such events in the future

In June 2020 the Society was heavily impacted by the violent hail storm that swept through the community. Although 2020's financial statements show little or no impact from that storm, 2021 will see a raise in insurance costs, contractor fee's as well as potentially a withdrawal from commons reserves to cover additional costs of replacing the siding on the entire facility with something that is more hail resistant.

16. UNCERTAINTY DUE TO THE COVID-19 PANDEMIC

The facility was ordered to be closed from the middle of March until the end of June due to the COVID-19 pandemic. Due to the dynamic nature of the pandemic and the uncertainty how long it would last, the financial impact cannot be reasonably estimated at this time. The Society's ability to continue to service its members is dependent on the continued ability to generate revenue, manage expenses and ongoing COVID-19 relief.