

NE CENTRE OF COMMUNITY SOCIETY

FINANCIAL STATEMENTS (Audited)

DECEMBER 31, 2022

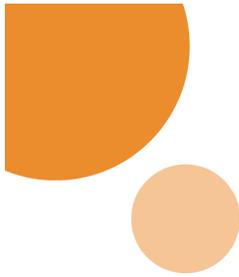


NE CENTRE OF COMMUNITY SOCIETY

DECEMBER 31, 2022

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Heidi Brauer

Chartered Professional Accountant

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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 (NECCS) as at December 31, 2022 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, 2022.

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, 2022 and the results of its operations and cash flows for the year ended December 31, 2022 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 fiscal year, the Common Areas Operating Reserve Fund has been removed from the net assets of the Society (Note 18).

Unrecognized revenue of \$60,000 from a five year time period has been recognized as revenue for this fiscal year (Note 16).

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 for not-for-profit associations (ASNPO). 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.

Calgary, Alberta
March 20, 2023



Heidi Brauer
Chartered Professional Accountant

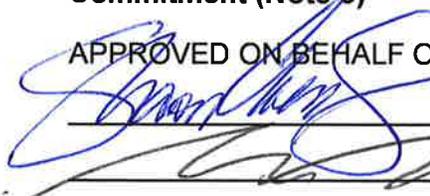
NE CENTRE OF COMMUNITY SOCIETY
STATEMENT OF FINANCIAL POSITION
(Audited)

As at December 31, 2022

	<u>2022</u>	<u>Re-stated (Note 18) 2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents, unrestricted	\$ 172,007	\$ 246,562
Investment, internally restricted (Notes 5 & 7)	1,384,818	2,093,582
Accounts receivable, unrestricted (Note 15)	269,967	1,527,926
GST receivable	12,422	43,506
Prepaid expense	36,208	28,551
	<u>1,875,422</u>	<u>3,940,127</u>
EXTERNALLY RESTRICTED ASSETS (Note 9)	79,464	104,536
LONG TERM INVESTMENT , internally restricted (Notes 5 & 7)	4,040,421	4,219,369
PROPERTY AND EQUIPMENT (Note 3)	<u>20,277,617</u>	<u>20,325,294</u>
	<u>\$ 26,272,924</u>	<u>\$ 28,589,326</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 15)	\$ 75,766	\$ 1,215,622
Deferred cash contributions (Note 9)	79,464	104,536
Deferred revenue	16,095	28,803
	<u>171,325</u>	<u>1,348,961</u>
DEFERRED CAPITAL CONTRIBUTIONS (Note 6)	<u>14,704,776</u>	<u>15,648,807</u>
NET ASSETS		
Unrestricted	398,743	602,120
Internally restricted (Note 5)	5,425,239	6,312,951
Invested in property and equipment	5,572,841	4,676,487
	<u>11,396,823</u>	<u>11,591,558</u>
	<u>\$ 26,272,924</u>	<u>\$ 28,589,326</u>

Commitment (Note 8)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:



Director

Director Stan Sandhu /VP

See Notes to the Financial Statements

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

For the Year Ended December 31, 2022

	Unrestricted	Internally Restricted	Invested in Property and Equipment	Common Areas Operating Reserve	2022 Totals	2021 Totals
Balances, beginning of year per 2021 financial statements	.					16,491,814
Restatement (Note 18)	602,120	6,312,951	4,676,487	5,569,581	17,161,139	(5,569,581)
Adjusted	-	-	-	(5,569,581)	(5,569,581)	(5,569,581)
Transfer of Funds	602,120	6,312,951	4,676,487	-	11,591,558	10,922,233
Increase (Decrease)	887,712	(887,712)	-	-	-	-
	(1,091,089)	-	896,354	-	(194,735)	669,325
Balances, end of year	\$ 398,743	5,425,239	5,572,841	-	11,396,823	11,591,558

See Notes to Financial Statements

NE CENTRE OF COMMUNITY SOCIETY
STATEMENT OF OPERATIONS
(Audited)

For the Year Ended December 31, 2022

	<u>2022</u>	<u>Re-stated (Note 18) 2021</u>
REVENUE		
Facility rental	1,987,836	\$ 780,419
Commons area	420,425	402,759
Leases	307,578	336,589
Donations and Government grants (Note 4)	306,944	1,024,769
Admission and passes	269,244	119,485
Contributions from Commons Operating Reserve Fund	250,000	750,000
Reimbursements	100,384	-
Programs and supplies (Note 12)	96,900	66,391
Commission and sponsorship	61,137	28,496
	<u>3,800,448</u>	<u>\$ 3,508,908</u>
EXPENSES		
Wages and benefits	1,994,160	1,462,563
Common area	679,053	551,193
Administration	343,506	260,648
Building operations	294,333	185,647
Programs and supplies (Note 12)	272,352	44,627
Marketing	36,049	38,023
Security breach (Note 14)	-	500,000
	<u>3,619,453</u>	<u>3,042,701</u>
Excess of revenue over expenses from operations	180,995	466,207
Common operating reserve fund including partners	(125,000)	(375,000)
Investment income (Note 8)	101,996	384,908
Depreciation expense	(983,203)	(1,064,114)
Amortization of deferred capital contributions (Note 6)	944,031	958,663
	<u>118,819</u>	<u>370,664</u>
Excess of revenue after amortization, investment income and before unrealised gain (loss)	118,819	370,664
Unrealised gain (loss)(Note 8)	(313,554)	403,013
	<u>(194,735)</u>	<u>773,677</u>
EXCESS OF REVENUE (DEFICIENCY) OVER EXPENSES AFTER AMORTIZATION AND UNREALISED GAIN	\$ (194,735)	\$ 773,677

See Notes to Financial Statements

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

For the Year Ended December 31, 2022

	<u>2022</u>	<u>Restated (Note 18) 2021</u>
Cash generated from (used in):		
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ (194,735)	\$ 773,677
Charges not requiring cash outlay:		
Depreciation	983,203	1,064,114
Amortization of deferred capital contributions (Note 6)	(944,031)	(958,663)
Changes in non-cash operating working capital:		
Accounts receivable	1,257,958	(1,058,059)
GST receivable	31,084	(20,618)
Prepaid expenses	(7,657)	(2,448)
Accounts payable	(1,139,856)	1,095,578
Deferred revenue	(12,707)	28,803
	<u>(26,741)</u>	<u>922,384</u>
FINANCING ACTIVITIES		
Deferred Cash Contributions	<u>(25,072)</u>	<u>101,116</u>
	<u>(25,072)</u>	<u>101,116</u>
INVESTING ACTIVITIES		
Computers	(13,490)	-
Furniture & equipment	-	(2,128)
Construction costs	(922,037)	(39,304)
Investments	887,713	(1,113,325)
	<u>(47,814)</u>	<u>(1,154,757)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(99,627)	(131,257)
Cash and cash equivalents, beginning of the year	<u>351,098</u>	<u>482,355</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 251,471	\$ 351,098
Consisting of:		
Cash and cash equivalents, unrestricted	\$ 172,007	\$ 246,562
Cash and cash equivalents, externally restricted	79,464	104,536
	<u>\$ 251,471</u>	<u>\$ 351,098</u>

See Notes to Financial Statements

NE CENTRE OF COMMUNITY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

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 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, 2022

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 2022	Net 2021
Equipment and furniture	\$ 2,405,149	2,018,182	386,967	138,107
Building	30,549,396	10,658,746	19,890,650	20,187,187
	<u>\$ 32,954,545</u>	<u>12,676,928</u>	<u>20,277,617</u>	<u>20,325,294</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, 2022

4. GOVERNMENT GRANTS AND DONATIONS

	<u>2022</u>	<u>2021</u>
Canada Emergency Wage Subsidy Grant (CEWS)	\$ -	\$ 412,620
Canada Student Employment Grant	67,574	13,125
Government of Canada- Tourism and Hospitality Recovery Program (THRP)	207,370	-
City of Calgary - COVID funding	-	54,000
Celebrate Canada Grant	-	12,422
Alberta Multicultural Grant	-	2,362
Family & Community Support Services Association of Alberta (FCSSAA)	-	30,000
Deferred (to) from (Note 10)	25,000	(25,000)
Spent on operations	<u>25,000</u>	<u>5,000</u>
Alberta Small and Medium Enterprises Relaunch Grant	-	25,000
City of Calgary - 10th Anniversary grant	3,000	-
Alberta Culture Days Grant*	4,000	-
	<u>306,944</u>	524,529
Donations	-	500,240
	<u><u>\$ 306,944</u></u>	<u><u>\$ 1,024,769</u></u>

*In 2021, \$4,000 received for Alberta Culture Days were included in event revenue.

In 2021, Donations included \$500,000 from the Genesis Land Development Corporation for naming rights (Funds have been received until 2021 with naming rights for an additional five years without receiving funding).

5. TERM DEPOSITS/MANAGED FUNDS - INTERNALLY RESTRICTED

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 15). In 2021 an additional \$400,000 were transferred from the operating reserve fund. This year's withdrawal of \$600,000 was for matching the Society's share of the \$2 Million to outdoor fields. They were transferred to the City of Calgary.

Operating Reserve Fund - short term

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 2,093,582	\$ 1,476,638
Addition	-	900,000
Interest	7,280	6,391
Dividends	13,114	40,263
Capital gain	4,921	68,535
Unrealized gain (loss)	(114,724)	121,418
Administration fees	(19,357)	(19,663)
Withdrawals	(600,000)	(500,000)
	<u><u>\$ 1,384,816</u></u>	<u><u>\$ 2,093,582</u></u>

NE CENTRE OF COMMUNITY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

Capital Maintenance Reserve Fund - long term

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 4,219,369	\$ 3,722,988
Interest	16,711	14,035
Dividends	30,859	92,806
Capital gain	20,152	159,532
Unrealized gain (loss)	(198,831)	281,595
Administration fees	(47,839)	(51,587)
	<u>\$ 4,040,421</u>	<u>\$ 4,219,369</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>2022</u>	<u>2021</u>
Carried forward from previous year	\$ 15,648,807	\$ 16,607,470
Less: Amortization	(944,031)	(958,663)
Balance to next year	<u>\$ 14,704,776</u>	<u>\$ 15,648,807</u>

7. 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. The balance as per December 31 in this fund was \$4,040,421 (Note 5).

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.

NE CENTRE OF COMMUNITY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

8. INVESTMENT INCOME

Investment income is a net amount consisting of:

	2022	Restated (Note 18) 2021
Interest	\$ 32,950	\$ 23,772
Dividends	43,973	133,069
Capital gain	25,073	228,067
Investment income before unrealized gain	101,996	384,908
Unrealized (Loss) Gain	(313,554)	403,013
Investment income (Loss) after unrealized gain	<u>\$ (211,558)</u>	<u>\$ 787,921</u>

9. EXTERNALLY RESTRICTED ASSETS/DEFERRED CASH CONTRIBUTIONS

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

	2022	2021
Casino	\$ 79,464	\$ 79,536
Family & Community Support Services Association of Alberta (FCSSAA) (Note 4)	-	25,000
	<u>\$ 79,464</u>	<u>\$ 104,536</u>

10. COMMON AREAS OPERATING RESERVE

During the 2016 fiscal year, the Society was entrusted by the City of Calgary and the NECCS Governance Board of the Genesis Centre 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.

In 2021, due to the extraordinary circumstances of the COVID-19 global pandemic, the Governance Board made the decision to withdraw \$750,000 rather than the forecasted \$250,000 (Note 18).

	2022	2021
Opening fund balance	\$ 5,569,581	\$ 5,373,935
Withdrawals	(250,000)	(750,000)
Investment income	85,964	343,157
TCF administrative and management fees	(54,356)	(60,414)
Unrealized capital gains (losses)	(258,580)	362,903
Ending fund balance	<u>\$ 5,092,609</u>	<u>\$ 5,269,581</u>

NE CENTRE OF COMMUNITY SOCIETY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

11. CASINO CONTRIBUTIONS

	<u>2022</u>	<u>2021</u>
Casino beginning balance	\$ 79,536	\$ 3,421
Plus: Casino pool	-	76,187
Less: Bank charges	72	72
Less: Casino bank balance (Note 10)	<u>79,464</u>	<u>79,536</u>
Contribution to operations	<u>\$ -</u>	<u>\$ -</u>

12. PROGRAMS AND SUPPLIES

	<u>2022</u>	<u>2021</u>
Revenues:		
Partnership initiatives	\$ 93,900	\$ 58,199
Cultural festival	3,000	4,000
Other	-	4,192
Revenue share program	-	-
	<u>96,900</u>	<u>66,391</u>
Expenses:		
Community investment projects	34,329	21,185
3rd party service and equipment	223,366	16,566
Partnership initiatives	14,657	6,876
	<u>272,352</u>	<u>44,627</u>
Excess of revenue over expenses	<u>\$ (175,452)</u>	<u>\$ 21,764</u>

13. SUPPORT TO COMMUNITY GROUPS

The Society is committed to giving back to the Community it serves. In 2022 and 2021 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 \$10,000 (2021 - \$10,000) to various organizations and individuals. For 2022, the monetary values of the free or discounted bookings were \$117,576 and the free events were \$35,000.

14. SECURITY BREACH

A security breach of unauthorized access to the email account of a staff member by a very sophisticated group of scammers occurred in early 2021. \$500,000 were transferred out of the Society's Operating Account. The police was involved, but as the transfer went out of the country, it is doubtful, that the funds can be recovered. 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.

NE CENTRE OF COMMUNITY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

15. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

In June 2020 the Society was heavily impacted by the violent hail storm that swept through the community. This raised the insurance costs, contractor fees and additional costs of replacing the siding on the entire facility with something that is more hail resistant. In January of 2022, the Society received on behalf of the three partners, an insurance refund of \$1,148,906. It was set up as a receivable and an accrued liability, as it had to be forwarded to the Calgary Public Library. The Calgary Public Library administered the construction project on behalf of the partners.

As the insurance claim did not cover the replacement of the entire facility's siding, the Governance Board withdrew additional funds in 2022, from the Common Areas Life Cycle Reserve Fund to complete this project. This will likely result in reduced insurance rates moving forward. The 2021 accounts receivable and accounts payable include large amounts due to the siding project.

16. UNRECOGNIZED REVENUE FROM PRIOR YEARS

Please note, that this year's revenue includes \$60,000, that was generated between 2017 and 2021, which had been booked as deferred revenue by Intelligenz Software.. This had been recognized in February and booked for this fiscal year, but spans over five years. The software issue leading to this has been resolved and enhanced controls have been implemented to prevent this from happening in the future.

17. REIMBURSEMENTS

Reimbursements consists of \$100,384 from the library, consisting of \$75,000 lifecycle reimbursement and \$25,384 which had been paid to the library for studies on repairs on the building envelope, which retro-actively had been reimbursed by insurance.

18. RESTATEMENT

In prior years, the Society had set up the Commons Area Operating Reserve Fund as an asset. It has come to our attention, that these funds are an asset of the Genesis Centre Partners, and NE Centre of Community was the trustee for it. These funds are invested with the Calgary Foundation.

As these assets are not controlled by NECCS but by the Governance Board of the Genesis Centre, they were removed from the assets and net assets. The changes resulted in a decrease in net assets of \$5,569,581 and an increase in excess of revenue over expenses of \$104,354 for 2021.