

THE CALGARY HERITAGE AUTHORITY
Financial Statements
Year Ended December 31, 2020

THE CALGARY HERITAGE AUTHORITY
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Year Ended December 31, 2020

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WELLER & ZIMARO

CHARTERED PROFESSIONAL ACCOUNTANTS*

INDEPENDENT AUDITOR'S REPORT

To the Members of The Calgary Heritage Authority

Opinion

We have audited the financial statements of The Calgary Heritage Authority (the organization), which comprise the statement of financial position as at December 31, 2020, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2020, 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 (ASNPO).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the organization in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, and for such internal control as management determines is 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 organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

(continues)



Independent Auditor's Report to the Members of The Calgary Heritage Authority *(continued)*

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Calgary, Alberta
March 5, 2021

Weller & Zimaro Professional Corporation
Weller & Zimaro Professional Corporation (Mar 12, 2021 20:03 MST)

CHARTERED PROFESSIONAL ACCOUNTANTS

THE CALGARY HERITAGE AUTHORITY

Statement of Financial Position

December 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash	\$ 87,048	\$ 62,815
Restricted cash (Note 3)	215,042	-
Inventory (Note 4)	751	841
Goods and services tax recoverable	4,094	2,359
Prepaid expenses and deposits	4,342	3,342
	<u>311,277</u>	<u>69,357</u>
CAPITAL ASSETS (Note 5)	<u>18,690</u>	<u>20,690</u>
	<u>\$ 329,967</u>	<u>\$ 90,047</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 13,129	\$ 11,341
Deferred contributions (Note 6)	225,000	-
	<u>238,129</u>	<u>11,341</u>
NET ASSETS		
Unrestricted funds	73,148	58,016
Funds invested in capital assets	18,690	20,690
	<u>91,838</u>	<u>78,706</u>
	<u>\$ 329,967</u>	<u>\$ 90,047</u>

ON BEHALF OF THE BOARD

Nikola Marcell-Moritz

Director

Reg Young

Reg Young (Mar 12, 2021 09:46 MST)

Director

See notes to financial statements

THE CALGARY HERITAGE AUTHORITY
Statement of Revenues and Expenditures
Year Ended December 31, 2020

	2020	2019
REVENUES		
Civic partner operating grant	\$ 343,000	\$ 193,000
Reserve fund transfers (<i>Note 7</i>)	75,000	150,000
Other grants and donations	18,413	29,252
	<u>436,413</u>	<u>372,252</u>
EXPENSES		
Salaries and wages	219,723	175,447
Programs and services	58,366	47,141
Rental	29,430	17,465
Employee benefits	16,693	14,565
Professional fees	14,900	19,469
Consulting fees	14,430	14,360
Advertising and promotion	13,547	3,063
General and administrative	13,042	5,621
Board and committee expenses	10,000	-
Amortization	5,792	2,067
Office and supplies	5,789	4,909
Sponsorship	4,000	4,184
Utilities	3,696	2,112
Travel	3,618	1,342
Training	3,524	4,138
Dues and subscriptions	3,340	3,914
Repairs and maintenance	1,438	1,401
Insurance	1,432	1,741
Meals and entertainment	626	473
	<u>423,386</u>	<u>323,412</u>
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	13,027	48,840
OTHER INCOME	105	86
EXCESS OF REVENUES OVER EXPENSES	\$ 13,132	\$ 48,926

THE CALGARY HERITAGE AUTHORITY
Statement of Changes in Net Assets
Year Ended December 31, 2020

	General Fund	Funds Invested in Capital Assets	2020	2019
NET ASSETS - BEGINNING OF YEAR	\$ 58,016	\$ 20,690	\$ 78,706	\$ 29,780
EXCESS OF REVENUES OVER EXPENSES	13,132	-	13,132	48,926
INTERFUND TRANSFERS	2,000	(2,000)	-	-
NET ASSETS - END OF YEAR	\$ 73,148	\$ 18,690	\$ 91,838	\$ 78,706

THE CALGARY HERITAGE AUTHORITY**Statement of Cash Flows****Year Ended December 31, 2020**

	2020	2019
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 13,132	\$ 48,926
Items not affecting cash:		
Amortization of capital assets	5,792	2,067
Donated capital assets	-	(2,930)
	<u>18,924</u>	<u>48,063</u>
Changes in non-cash working capital:		
Inventory	90	30
Accounts payable and accrued liabilities	1,788	8,205
Prepaid expenses and deposits	(1,000)	(3,342)
Goods and services tax payable	(1,735)	(403)
Deferred contributions	225,000	(22,350)
	<u>224,143</u>	<u>(17,860)</u>
Cash flow from operating activities	<u>243,067</u>	<u>30,203</u>
INVESTING ACTIVITY		
Purchase of capital assets	<u>(3,792)</u>	<u>(19,595)</u>
INCREASE IN CASH FLOW	239,275	10,608
Cash - beginning of year	<u>62,815</u>	<u>52,207</u>
CASH - END OF YEAR	<u>\$ 302,090</u>	<u>\$ 62,815</u>

THE CALGARY HERITAGE AUTHORITY

Notes to Financial Statements

Year Ended December 31, 2020

1. ACCOUNTING ENTITY

The Calgary Heritage Authority ("CHA") was incorporated in 1985 as the Calgary Municipal Heritage Properties Authority under the Calgary Municipal Heritage Properties Authority Act (Alberta) (the "1985 Act"). In 2000, the Calgary Municipal Heritage Properties Authority Amendment Act, made amendments to the 1985 Act including to its title which was amended to the Calgary Heritage Authority Act (Alberta).

Under the Act, the Authority is to operate exclusively for the charitable purposes and not for profit, without purpose of gain or profit of its members and ensure that all assets and income of the Authority are used only to carry out its powers and meet its expenses.

The Calgary Heritage Authority meets the requirements for charitable registration under the Income Tax Act and is therefore a Canadian registered charity. The Charity is designated as a Charitable Organization.

COVID-19

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, national and global economies.

The pandemic is evolving, and the entity continues to respond with public health measures and financial assistance. The duration and potential impacts of COVID-19 are unknown at this time. As a result, we are unable to estimate the potential impact on the organization's operations as at the date of these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and, in management's opinion, with consideration of materiality and within the framework of the following accounting policies:

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include operating cash and term deposits that are redeemable or with maturities of less than three months. Cash and cash equivalents subject to restrictions are presented as restricted cash.

RESTRICTED CASH

Restricted cash may include term deposits with a maturity date greater than three months from the year end date. It may also include cash restricted for use for specific programs and purposes, as well as cash restricted according to the internal reserve fund policy.

INVENTORY

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

(continues)

THE CALGARY HERITAGE AUTHORITY

Notes to Financial Statements

Year Ended December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

CAPITAL ASSETS

Capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives on a declining balance basis at the following rates and methods:

Computer equipment	55%	declining balance method
Office furniture and equipment	20%	declining balance method
Leasehold improvements	5 years	straight-line method
Website development cost	5 years	straight-line method

The organization regularly reviews its capital assets to eliminate obsolete items. Government grants are treated as a reduction of capital assets cost.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Items with a cost of less than \$1,000 is not capitalized, and is instead expensed in the period it is purchased.

REVENUE RECOGNITION

The organization follows the deferral method of accounting for contributions.

Restricted contributions for specific programs are deferred and recognized as revenue in the year in which the related expenditures are incurred.

Unrestricted contributions are recognized as revenue when received or receivable, if the amount received can be reasonably determined and collection is reasonably assured.

Investment and other income are recognized as revenue when earned.

DONATED GOODS AND SERVICES

Donated goods and services are recorded at their fair market value at the time of the donation if that can be reasonably estimated.

OPERATING AND CAPITAL RESERVES

Reserves are established at the discretion of the Board of Directors of CHA, to set aside funds for operating and for capital purposes. Such reserves are appropriations of unrestricted net assets.

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THE CALGARY HERITAGE AUTHORITY

Notes to Financial Statements

Year Ended December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENT POLICY

CHA recognizes its financial instruments when it becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction.

At initial recognition, CHA may irrevocably elect to subsequently measure any financial instrument at fair value. The board has not made such an election during the year.

CHA subsequently measures all financial assets and liabilities at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the surplus (deficiency) of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost or cost.

CHA's financial instruments consist of cash and cash equivalents, restricted cash and accounts payable and accrued liabilities. It is management's opinion that CHA is not exposed to significant interest rate, currency or credit risks arising from these financial instruments. Unless otherwise noted, the fair values of these financial instruments approximate their carrying values.

MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity 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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles (GAAP) requires management to make estimates that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as revenues and expenses during the period. Management reviews its estimates on an ongoing basis, particularly as they relate to the reserve contingency fund, and are based on its best knowledge of current events and actions that the company may undertake in the future. Actual results could differ from these estimates.

GOODS AND SERVICES TAX

Goods and services are recoverable at 50% as a rebate. The unrecoverable portion is recorded as part of general and administration expense with the rebate treated as a receivable.

GOVERNMENT AND OTHER GRANTS

Government and other grants are recorded when there is a reasonable assurance that CHA had complied with and will continue to comply with, all the necessary conditions to obtain the grants. They are then either deferred and recognized as deferred contributions or recognized in revenue if the related expenditures have been incurred.

THE CALGARY HERITAGE AUTHORITY
Notes to Financial Statements
Year Ended December 31, 2020

3. RESTRICTED CASH

	<u>2020</u>
Operating reserve fund	\$ 55,000
Project and program development reserve fund	10,000
Inventory listing cleanup project	150,000
Interest on restricted cash	<u>42</u>
	<u>\$ 215,042</u>

Restricted cash and cash equivalents are maintained and kept restricted for use on two operating reserves, and on the inventory listing cleanup projected funded by the City of Calgary.

During the year, the Board of Directors adopted an internal reserve fund policy that set out the guidelines for the two ongoing reserves. Both reserves have been initially funded with unrestricted net assets and will continue to be funded with surplus unrestricted operating funds. The Board can require that a specific revenue source be used to fund a reserve. These reserve funds will be available for use by the organization to fulfill its mission.

For the Operating Reserve Fund, the organization will establish a cash reserve that comprises between 50% and 100% of the annual operating expenses of the organization based upon an average of the past six to twelve months of the organization's operations. As of December 31, 2020, the reserve fund does not meet the 50% requisite.

For the Project & Program Development Reserve, the organization will establish a cash reserve with a value between \$10,000 and \$20,000. As of December 31, 2020, the reserve fund does meet the \$10,000 requisite.

In August 2020, the City of Calgary provided the CHA with \$150,000, to be spent making the City's list of historical property more accurate. The funds are not to be used for any other purpose.

If the reserve funds have been less than 50% of the target reserve minimum for three consecutive years, the Board of Directors will adopt an operational budget with a projected surplus sufficient to rebuild the reserve funds. Funds borrowed from reserve funds will be replenished with a prescribed repayment schedule if they are outstanding for more than three months. The CHA had no restricted cash in 2019.

4. INVENTORY

Inventory is made up of books written by a past board member. CHA received a grant to write the book called Concrete Centenarian about a grain elevator in Ogden that was demolished. The cost was paid by the City of Calgary and donated to CHA. The books are sold by CHA and up until summer 2020 were also sold at the Glenbow Museum. CHA received a portion of the proceeds from the sales from the Glenbow Museum and all the proceeds from its own sales.

THE CALGARY HERITAGE AUTHORITY

Notes to Financial Statements

Year Ended December 31, 2020

5. CAPITAL ASSETS

Capital assets consist of the following:

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Computer equipment	\$ 6,402	\$ 3,079	\$ 3,323	\$ 1,276
Office furniture and equipment	6,698	1,875	4,823	6,028
Leasehold improvements	7,942	1,787	6,155	7,743
Website development	6,270	1,881	4,389	5,643
	<u>\$ 27,312</u>	<u>\$ 8,622</u>	<u>\$ 18,690</u>	<u>\$ 20,690</u>

6. DEFERRED CONTRIBUTIONS

	2020
Inventory listing cleanup project	\$ 150,000
Reserve fund transfer	75,000
	<u>\$ 225,000</u>

Deferred contributions include \$150,000 related to the inventory listing cleanup project, funded by the City of Calgary. The funding is expected to be spent over the next couple of years, however since there are no set terms of spending the full amount has been recorded as current.

Also included in deferred contributions is \$75,000 of reserve fund transfers requested for 2021, which was received in 2020.

The CHA had no deferred contributions in 2019.

7. RESERVE FUND TRANSFERS

CHA received reserve fund transfers from the City of Calgary totalling \$75,000 in 2020 (2019 - \$150,000). The purpose of these reserve funds is to provide financial operating resources for the overall activities and responsibilities of CHA. The funds can be used at the sole discretion of CHA to support their activities. The reserve will maintain a minimum protected balance of \$1,338,000. The total principal of the fund at the beginning of the year was \$1,680,000 and the end of the year balance is not yet available from the City of Calgary. The full amount of any principal and investment income on those funds are reflected on the books of the City of Calgary and is therefore only recorded in CHA once the transfers are received. Once received the transfers are either recorded to revenue or deferred contributions, as applicable, in CHA.

THE CALGARY HERITAGE AUTHORITY

Notes to Financial Statements

Year Ended December 31, 2020

8. COMMITMENTS

The organization is committed to lease its office space for a five-year term, commencing on October 1, 2019 and expiring on September 30, 2024. The minimum annual lease payments for the next five years are as follows. The amounts include base rent of \$1,476 per month plus \$1,045.50 additional rent per month, and do not include any additional operating cost that may become payable.

Commitment schedule:

2021	\$	30,258
2022		30,258
2023		30,258
2024		<u>22,694</u>
	\$	<u>113,468</u>

9. ECONOMIC DEPENDENCE

CHA's primary source of funding is from the City of Calgary and its ability to continue as a viable entity is dependent on this funding.
