

Medicine Hat & District Chamber of Commerce

Financial Information

For The Year Ended August 31, 2017

**MEDICINE HAT & DISTRICT CHAMBER OF
COMMERCE**

Financial Statements

For The Year Ended August 31, 2017

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Review Engagement Report

To The Board of Directors

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

We have reviewed the statement of financial position of **Medicine Hat & District Chamber of Commerce** as at August 31, 2017, and the statements of changes in net assets, operations and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the Chamber.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for not-for-profit organization.

Johnston Morrison Hunter & Co. Professional Corporation

Chartered Professional Accountants

**Medicine Hat, Alberta
November 1, 2017**

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

Statement of Financial Position August 31, 2017

(Unaudited)

| | 2017 | 2016 |
|--|----------------|----------------|
| | \$ | \$ |
| Assets | | |
| Current | | |
| Cash and cash equivalents | 402,427 | 358,682 |
| Short-term investments (Note 3) | 40,000 | 40,000 |
| Accounts receivable | 7,782 | 15,884 |
| Prepaid expenses and other current assets (Note 4) | <u>86,315</u> | <u>92,763</u> |
| | 536,524 | 507,329 |
| Capital Assets (Note 5) | <u>196,941</u> | <u>212,118</u> |
| | <u>733,465</u> | <u>719,447</u> |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities | 42,599 | 51,685 |
| Goods and services tax payable | 11,311 | 11,076 |
| Deferred revenue (Note 6) | 341,973 | 342,272 |
| Current portion of obligation under capital lease (Note 7) | <u>2,368</u> | <u>2,308</u> |
| | 398,251 | 407,341 |
| Obligation Under Capital Lease (Note 7) | <u>7,479</u> | <u>9,847</u> |
| | <u>405,730</u> | <u>417,188</u> |
| Commitment (Note 8) | | |
| Net Assets | | |
| Invested in Capital Assets | 187,094 | 199,963 |
| Unrestricted | <u>140,641</u> | <u>102,296</u> |
| | 327,735 | 302,259 |
| | <u>733,465</u> | <u>719,447</u> |

Approved by the Board

Director:



Director:

Sarah Mackenzie

The accompanying notes are an integral part of these financial statements

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

**Statement of Changes in Net Assets
For The Year Ended August 31, 2017**

(Unaudited)

| | Invested In Capital Assets | Unrestricted | Total 2017 | Total 2016 |
|--|---|-----------------------|-----------------------|-----------------------|
| | \$ | \$ | \$ | \$ |
| Balance, beginning of year | 199,963 | 102,296 | 302,259 | 269,451 |
| Excess of revenue over expenses for the year | - | 25,476 | 25,476 | 32,808 |
| Net addition of capital assets | 10,852 | (10,852) | - | - |
| Amortization of capital assets | <u>(23,721)</u> | <u>23,721</u> | <u>-</u> | <u>-</u> |
| Balance, end of year | <u>187,094</u> | <u>140,641</u> | <u>327,735</u> | <u>302,259</u> |

The accompanying notes are an integral part of these financial statements

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

**Statement of Operations
For The Year Ended August 31, 2017**

(Unaudited)

| | Direct Revenue | Direct Expenses | 2017 | 2016 |
|---|---------------------------|----------------------------|-----------------|-----------------|
| | \$ | \$ | \$ | \$ |
| Revenue and Direct Expenses | | | | |
| Board | - | 42,140 | (42,140) | (38,214) |
| Business advocacy | - | 64,800 | (64,800) | (57,639) |
| Membership | 204,227 | 85,350 | 118,877 | 119,716 |
| Fall trade show | 202,125 | 169,259 | 32,866 | 33,395 |
| Spring trade show | 264,621 | 197,885 | 66,736 | 82,760 |
| Business builders | 25,641 | 41,441 | (15,800) | (15,882) |
| Business awards | 72,623 | 65,766 | 6,857 | 4,428 |
| Annual general meeting | - | 6,238 | (6,238) | (4,342) |
| Cluster signs | 41,480 | 14,289 | 27,191 | 36,555 |
| Communication | 243 | 27,067 | (26,824) | (23,349) |
| Walsh | - | - | - | (4,515) |
| E-Zine | 2,238 | 4,398 | (2,160) | (4,140) |
| | <u>813,198</u> | <u>718,633</u> | <u>94,565</u> | <u>128,773</u> |
| General and Administrative Expenses | | | | |
| General and administrative expenses, Schedule "A" | | | 108,312 | 130,219 |
| Amortization | | | 23,721 | 23,063 |
| Interest and bank charges | | | 549 | 1,159 |
| Interest on obligation under capital lease | | | 316 | 126 |
| | | | <u>132,898</u> | <u>154,567</u> |
| Deficiency of Revenue Over Expenses Before Other Revenue | | | <u>(38,333)</u> | <u>(25,794)</u> |
| Other Revenue | | | | |
| (Loss) on disposal of capital assets | | | - | (1,365) |
| Group insurance | | | 61,170 | 56,390 |
| Other sales | | | - | (126) |
| Interest and investment | | | 70 | 632 |
| Rental | | | 2,569 | 3,071 |
| | | | <u>63,809</u> | <u>58,602</u> |
| Excess of Revenue Over Expenses For The Year | | | <u>25,476</u> | <u>32,808</u> |

The accompanying notes are an integral part of these financial statements

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

**Statement of Cash Flows
For The Year Ended August 31, 2017**

(Unaudited)

| | 2017 | 2016 |
|---|-----------------------|-----------------------|
| | \$ | \$ |
| Cash Flows From Operating Activities | | |
| Excess of revenue over expenses for the year | 25,476 | 32,808 |
| Non-Cash Items | | |
| Amortization | 23,721 | 23,063 |
| Loss on disposal of capital assets | <u>-</u> | <u>1,365</u> |
| | 49,197 | 57,236 |
| Changes in Non-Cash Working Capital | | |
| Accounts receivable | 8,102 | 19,029 |
| Prepaid expenses and other current assets | 6,448 | (21,951) |
| Accounts payable and accrued liabilities | (9,086) | (26,945) |
| Goods and services tax payable | 235 | 2,989 |
| Deferred revenue | <u>(299)</u> | <u>8,886</u> |
| | <u>54,597</u> | <u>39,244</u> |
| Cash Flows From Investing Activities | | |
| Acquisition of capital assets | <u>(8,544)</u> | <u>(26,780)</u> |
| Cash Flows From Financing Activities | | |
| Proceeds from capital lease obligations | - | 12,155 |
| Payments on capital lease obligations | <u>(2,308)</u> | <u>(2,982)</u> |
| | <u>(2,308)</u> | <u>9,173</u> |
| Cash and Cash Equivalents Increase | 43,745 | 21,637 |
| Cash and Cash Equivalents, beginning of year | <u>358,682</u> | <u>337,045</u> |
| Cash and Cash Equivalents, end of year | <u><u>402,427</u></u> | <u><u>358,682</u></u> |
| Cash and Cash Equivalents Consist of Cash on Hand. | | |

The accompanying notes are an integral part of these financial statements

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

**General and Administrative Expenses
For The Year Ended August 31, 2017**

Schedule "A"

(Unaudited)

| | 2017 | 2016 |
|------------------------------|----------------|----------------|
| | \$ | \$ |
| Advertising and promotion | - | 500 |
| Dues and memberships | 4,108 | 2,530 |
| Equipment rental | 381 | 210 |
| Honorariums | 146 | 130 |
| Insurance | 7,243 | 6,391 |
| Meetings | 1,917 | 3,212 |
| Office supplies | 4,784 | 7,763 |
| Merchant charges | 1,050 | 804 |
| Repairs and maintenance | 20,684 | 23,589 |
| Salaries, wages and benefits | 60,123 | 75,733 |
| Telephone, fax and internet | 2,788 | 4,542 |
| Travel and convention | 345 | 1,024 |
| Utilities | 4,743 | 3,791 |
| | <u>108,312</u> | <u>130,219</u> |

The accompanying an integral part of these financial statements

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

Notes to the Financial Statements For The Year Ended August 31, 2017

(Unaudited)

1. Nature of Operations

The Medicine Hat and District Chamber of Commerce ("the Chamber") is an incorporated, non-profit organization, which provides business development, and support services for its members and organizes various events for the business and professional community of Medicine Hat and District. The Chamber is exempt from income taxes under Section 149 of the Income Tax Act.

2. Significant Accounting Policies

Cash and Cash Equivalents

The Chamber's policy is to disclose bank advances under cash and cash equivalents, including bank overdrafts with balances that fluctuate from being positive to overdrawn and temporary investments with a maturity period of three months or less from the date of acquisition.

Short-Term Investments

Short-term investments are carried at fair value with any changes in fair value recognized in net income in the year incurred.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is recorded on a straight-line basis at rates designed to amortize the cost of the capital assets over their estimated useful lives. In the year of acquisition one-half of the normal rate is applied. Amortization rates are as follows:

| | |
|------------------------|-----------|
| Buildings | 25 years |
| Parking lot | 20 years |
| Computer equipment | 3-5 years |
| Computer software | 3 years |
| Furniture and fixtures | 10 years |
| Signs | 5 years |

Impairment of Long-Lived Assets

The Chamber conducts a review for possible impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying values of specific long-lived assets, or group of assets, may not be recoverable. Impairment of assets arise when the fair value, or the expected undiscounted cash flows from future use or eventual disposition of those assets, is less than the assets' carrying values. Impairment losses, if any, are measured as the amount by which the assets' carrying value exceeds their fair value. Based on its review, management does not believe impairment of long-lived assets has occurred.

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

**Notes to the Financial Statements
For The Year Ended August 31, 2017**

(Unaudited)

2. Significant Accounting Policies (Continued)

Revenue Recognition

Unrestricted contributions are recognized as revenue in the period they are receivable.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for purposes designated by the contributor.

Externally restricted capital contributions are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested in capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are taken into income, as amortization of deferred capital contributions, in the periods that the related funded capital assets are amortized.

Endowment contributions are recognized as direct increases in net assets.

Membership revenue is recognized in the period to which the fees apply.

Amounts received for trade shows and other events are recognized in the period the event is held.

Contributed Materials and Services

Contributed materials and services are recognized in the financial statements when their fair value can be reasonably determined and they are used in the normal course of the Chamber's operations and would otherwise have been purchased.

Leases

Leases are classified as either capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases wherein, rental payments are expensed as incurred. At the inception of a capital lease, an asset and an obligation is recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of such lease.

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

**Notes to the Financial Statements
For The Year Ended August 31, 2017**

(Unaudited)

Measurement of Financial Instruments

The entity initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The entity subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and cash equivalents, short-term investments and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and deferred revenue.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Transaction costs

The entity recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Measurement Uncertainty

The preparation of financial statements, in accordance with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

3. Short-Term Investments

| | 2017 | 2016 |
|---|---------------|---------------|
| | \$ | \$ |
| Term deposit, bearing interest at 1.80% maturing on October 18, 2017. | <u>40,000</u> | <u>40,000</u> |

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

**Notes to the Financial Statements
For The Year Ended August 31, 2017**

(Unaudited)

4. Prepaid Expenses and Other Current Assets

| | 2017 | 2016 |
|-----------------|----------------------|----------------------|
| | \$ | \$ |
| Direct expenses | 81,527 | 90,504 |
| Insurance | <u>4,788</u> | <u>2,259</u> |
| | <u>86,315</u> | <u>92,763</u> |

5. Capital Assets

| | Cost | Accumulated Amortization | Net Book Value | |
|------------------------|-----------------------|-----------------------------|-----------------------|-----------------------|
| | | | 2017 | 2016 |
| | \$ | \$ | \$ | \$ |
| Land | 50,370 | - | 50,370 | 50,370 |
| Buildings | 161,488 | 102,280 | 59,208 | 65,668 |
| Parking lot | 49,460 | 5,255 | 44,205 | 46,678 |
| Computer equipment | 32,468 | 17,207 | 15,261 | 16,688 |
| Computer software | 752 | 752 | - | 125 |
| Furniture and fixtures | 31,221 | 17,109 | 14,112 | 12,485 |
| Signs | <u>31,594</u> | <u>17,809</u> | <u>13,785</u> | <u>20,104</u> |
| | <u>357,353</u> | <u>160,412</u> | <u>196,941</u> | <u>212,118</u> |

Included in the above are assets under capital leases as follows:

| | Cost | Accumulated Amortization | Net Book Value | |
|--------------------|---------------|-----------------------------|----------------|---------------|
| | | | 2017 | 2016 |
| | \$ | \$ | \$ | \$ |
| Computer equipment | <u>12,155</u> | <u>2,937</u> | <u>9,218</u> | <u>11,649</u> |

6. Deferred Revenue

| | 2017 | 2016 |
|---------------|-----------------------|-----------------------|
| | \$ | \$ |
| Cluster signs | 28,878 | 12,201 |
| Memberships | 140,298 | 140,910 |
| Trade shows | 147,452 | 149,935 |
| Rent | 2,103 | 476 |
| Sponsorship | <u>23,242</u> | <u>38,750</u> |
| | <u>341,973</u> | <u>342,272</u> |

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

**Notes to the Financial Statements
For The Year Ended August 31, 2017**

(Unaudited)

7. Obligation Under Capital Lease

| | 2017 | 2016 |
|--|---------------------|---------------------|
| | \$ | \$ |
| Secured by a photocopier (carrying value \$9,218). Repayable in annual instalments of \$2,624 principal and interest, with interest calculated at 2.60% per annum, due June 2021. | 9,847 | 12,155 |
| Portion repayable within one year | <u>(2,368)</u> | <u>(2,308)</u> |
| | <u><u>7,479</u></u> | <u><u>9,847</u></u> |

8. Commitment

The Chamber is committed under agreements for rental of office equipment. Total annual payments under these agreements, are as follows:

| | \$ |
|------|-------|
| 2018 | 3,400 |

9. Related Party Transactions

The following is summary of the Chamber's related party transactions with directors or directors' companies which are included in the statement of operations:

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by related parties.

| | 2017 | 2016 |
|---|--------|--------|
| | \$ | \$ |
| Revenue: | | |
| Event admission / sponsorship | 18,679 | 12,328 |
| Advertising | 1,976 | 1,024 |
| Membership | 5,145 | 2,845 |
| General and Administrative Expenses: | | |
| Insurance | 9,772 | 6,442 |
| Other | 10,334 | 9,661 |

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

**Notes to the Financial Statements
For The Year Ended August 31, 2017**

(Unaudited)

10. Financial Instruments and Risks

The business risks associated with financial instruments are categorized as market, credit and liquidity risks. It is management's opinion that the Chamber is not exposed to significant market (consisting of currency and other price risk) or liquidity risks arising from these financial instruments.

However, the Chamber is exposed to market (consisting of interest rate) and credit risks.

a) Market risk

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market rates of interest. The Chamber is exposed to interest rate risk because of its short-term investments and obligation under capital lease being incurred at fixed rates of interest.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Chamber is exposed to credit risk in relation to accounts receivable. The Chamber's accounts receivable result from business development and support services. Concentrations of credit risk with respect to trade receivables are limited as the Chamber performs ongoing credit evaluations of its customers. Based on management's evaluation of potential credit losses, the Chamber believes there is no requirement for an allowance for doubtful accounts.