

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

Financial Information

For The Year Ended August 31, 2018

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

Financial Statements

For The Year Ended August 31, 2018

	Page
Independent Practitioner's Review Engagement Report	1
Statement of Financial Position	2
Statement of Changes in Net Assets	3
Statement of Operations	4
Statement of Cash Flows	5
General and Administrative Expenses, Schedule "A"	6
Notes to the Financial Statements	7 - 12

Independent Practitioner's Review Engagement Report

To The Board of Directors

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

We have reviewed the accompanying financial statements of **Medicine Hat & District Chamber of Commerce** that comprise the statement of financial position as at August 31, 2018, and the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit enterprises, 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.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of **Medicine Hat & District Chamber of Commerce** as at August 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit enterprises.

Johnston Morrison Hunter & Co. Professional Corporation

Johnston Morrison Hunter & Co. Professional Corporation
Chartered Professional Accountants

Medicine Hat, Alberta
November 5, 2018

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

**Statement of Financial Position
 August 31, 2018**

(Unaudited)

	2018	2017
	\$	\$
Assets		
Current		
Cash and cash equivalents	273,798	402,427
Short-term investments (Note 3)	150,000	40,000
Accounts receivable	7,667	7,782
Prepaid expenses and other current assets (Note 4)	<u>70,154</u>	<u>86,315</u>
	501,619	536,524
Capital Assets (Note 5)	<u>308,473</u>	<u>196,941</u>
	<u><u>810,092</u></u>	<u><u>733,465</u></u>
Liabilities		
Current		
Accounts payable and accrued liabilities	60,518	42,599
Goods and services tax payable	9,767	11,311
Deferred revenue (Note 6)	340,164	341,973
Current portion of obligation under capital lease (Note 7)	<u>2,429</u>	<u>2,368</u>
	412,878	398,251
Obligation Under Capital Lease (Note 7)	5,050	7,479
Unamortized Expended Capital Contributions	<u>13,762</u>	<u>-</u>
	<u>431,690</u>	<u>405,730</u>
Commitment (Note 8)		
Net Assets		
Invested in Capital Assets	287,232	187,094
Unrestricted	<u>91,170</u>	<u>140,641</u>
	<u>378,402</u>	<u>327,735</u>
	<u><u>810,092</u></u>	<u><u>733,465</u></u>

Approved by the Board

Director:



Director:

Sarah Mackenzie

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

**Statement of Changes in Net Assets
 For The Year Ended August 31, 2018**

(Unaudited)

	Invested In Capital Assets	Unrestricted	Total 2018	Total 2017
	\$	\$	\$	\$
Balance , beginning of year	187,094	140,641	327,735	302,259
Excess of revenue over expenses for the year	-	50,667	50,667	25,476
Net addition of capital assets	126,365	(126,365)	-	-
Amortization of capital assets	<u>(26,227)</u>	<u>26,227</u>	<u>-</u>	<u>-</u>
Balance , end of year	<u><u>287,232</u></u>	<u><u>91,170</u></u>	<u><u>378,402</u></u>	<u><u>327,735</u></u>

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

**Statement of Operations
 For The Year Ended August 31, 2018**

(Unaudited)

	Direct Revenue	Direct Expenses	2018	2017
	\$	\$	\$	\$
Revenue and Direct Expenses				
Board	-	49,730	(49,730)	(42,140)
Business advocacy	-	79,458	(79,458)	(64,800)
Membership	220,454	72,828	147,626	118,877
Fall trade show	191,763	161,113	30,650	32,866
Spring trade show	244,920	166,504	78,416	66,736
Business builders	28,211	44,619	(16,408)	(15,800)
Business awards	66,054	66,391	(337)	6,857
Annual general meeting	-	5,976	(5,976)	(6,238)
Cluster signs	40,628	6,448	34,180	27,191
Communication	120	24,051	(23,931)	(26,824)
E-Zine	1,715	4,903	(3,188)	(2,160)
Agriculture	3,107	1,942	1,165	-
UDI	<u>8,792</u>	<u>2,556</u>	<u>6,236</u>	<u>-</u>
	<u>805,764</u>	<u>686,519</u>	<u>119,245</u>	<u>94,565</u>
General and Administrative Expenses				
General and administrative expenses, Schedule "A"			109,304	108,312
Amortization			26,227	23,721
Interest and bank charges			536	549
Interest on obligation under capital lease			<u>256</u>	<u>316</u>
			<u>136,323</u>	<u>132,898</u>
(Deficiency) of Revenue Over Expenses Before Other Revenue			<u>(17,078)</u>	<u>(38,333)</u>
Other Revenue				
Group insurance			62,104	61,170
Interest and investment			1,371	70
Rental			<u>4,270</u>	<u>2,569</u>
			<u>67,745</u>	<u>63,809</u>
Excess of Revenue Over Expenses For The Year			<u>50,667</u>	<u>25,476</u>

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

**Statement of Cash Flows
 For The Year Ended August 31, 2018**

(Unaudited)

	2018	2017
	\$	\$
Cash Flows From Operating Activities		
Excess of revenue over expenses for the year	50,667	25,476
Non-Cash Items		
Amortization	<u>26,227</u>	<u>23,721</u>
	76,894	49,197
Changes in Non-Cash Working Capital		
Accounts receivable	115	8,102
Prepaid expenses and other current assets	16,161	6,448
Accounts payable and accrued liabilities	17,919	(9,086)
Goods and services tax payable	(1,544)	235
Deferred revenue	<u>(1,809)</u>	<u>(299)</u>
	<u>107,736</u>	<u>54,597</u>
Cash Flows From Investing Activities		
Acquisition of capital assets	(123,997)	(8,544)
Acquisition of short-term investments	<u>(110,000)</u>	<u>-</u>
	<u>(233,997)</u>	<u>(8,544)</u>
Cash Flows From Financing Activities		
Payments on capital lease obligations	<u>(2,368)</u>	<u>(2,308)</u>
Cash and Cash Equivalents (Decrease) Increase	(128,629)	43,745
Cash and Cash Equivalents, beginning of year	<u>402,427</u>	<u>358,682</u>
Cash and Cash Equivalents, end of year	<u><u>273,798</u></u>	<u><u>402,427</u></u>

Cash and Cash Equivalents Consist of Cash on Hand.

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

**General and Administrative Expenses
For The Year Ended August 31, 2018**

Schedule "A"

(Unaudited)

	2018	2017
	\$	\$
Dues and memberships	3,974	4,108
Equipment rental	293	381
Honorariums	80	146
Insurance	5,259	7,243
Meetings	1,817	1,917
Office supplies	5,247	4,784
Merchant charges	1,100	1,050
Repairs and maintenance	17,452	20,684
Salaries, wages and benefits	65,502	60,123
Telephone, fax and internet	3,083	2,788
Travel and convention	893	345
Utilities	<u>4,604</u>	<u>4,743</u>
	<u><u>109,304</u></u>	<u><u>108,312</u></u>

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

**Notes to the Financial Statements
For The Year Ended August 31, 2018**

(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 balances 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, 2018**

(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 expended capital contributions. Unamortized expended capital contributions are taken into income, as a reduction to amortization expense, 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, 2018**

(Unaudited)

2. Significant Accounting Policies (Continued)

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 and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, deferred revenue and obligation under capital lease.

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

	2018	2017
	\$	\$
Term deposit, bearing interest at 1.20% maturing on October 20, 2018	50,000	40,000
Term deposit, bearing interest at 1.20% maturing on October 20, 2018	50,000	-
Term deposit, bearing interest at 2.05% maturing on October 20, 2019	50,000	-
	<u>150,000</u>	<u>40,000</u>

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

**Notes to the Financial Statements
For The Year Ended August 31, 2018**

(Unaudited)

4. Prepaid Expenses and Other Current Assets

	2018	2017
	\$	\$
Direct expenses	65,303	81,527
Insurance	<u>4,851</u>	<u>4,788</u>
	<u><u>70,154</u></u>	<u><u>86,315</u></u>

5. Capital Assets

	Cost	Accumulated Amortization	Net Book Value	
	\$	\$	2018	2017
	\$	\$	\$	\$
Land	50,370	-	50,370	50,370
Buildings	258,719	110,198	148,521	59,208
Parking lot	49,460	7,728	41,732	44,205
Computer equipment	39,441	23,335	16,106	15,261
Computer software	16,023	2,261	13,762	-
Furniture and fixtures	51,014	20,499	30,515	14,112
Signs	<u>31,594</u>	<u>24,127</u>	<u>7,467</u>	<u>13,785</u>
	<u><u>496,621</u></u>	<u><u>188,148</u></u>	<u><u>308,473</u></u>	<u><u>196,941</u></u>

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

	Cost	Accumulated Amortization	Net Book Value	
	\$	\$	2018	2017
	\$	\$	\$	\$
Computer equipment	<u>12,155</u>	<u>5,368</u>	<u>6,787</u>	<u>9,218</u>

6. Deferred Revenue

	2018	2017
	\$	\$
Cluster signs	29,900	28,878
Memberships	142,068	140,298
Trade shows	135,517	147,452
Rent	1,429	2,103
Sponsorships	<u>31,250</u>	<u>23,242</u>
	<u><u>340,164</u></u>	<u><u>341,973</u></u>

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

**Notes to the Financial Statements
For The Year Ended August 31, 2018**

(Unaudited)

7. Obligations Under Capital Leases

	2018	2017
	\$	\$
Secured by a photocopier (carrying value \$6,787). Repayable in annual instalments of \$2,624 principal and interest, with interest calculated at 2.60% per annum, due June 2021.	7,479	9,847
Portion repayable within one year	<u>(2,429)</u>	<u>(2,368)</u>
	<u><u>5,050</u></u>	<u><u>7,479</u></u>

8. Commitment

The Chamber is committed under an agreement for information technology services. Total annual payment under this agreement, is as follows:

	\$
2019	3,625

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.

	2018	2017
	\$	\$
Revenue:		
Event admission / sponsorship	5,699	2,286
Advertising	124	1,976
Membership	1,825	2,573
General and Administrative Expenses:		
Other	1,980	561

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

**Notes to the Financial Statements
For The Year Ended August 31, 2018**

(Unaudited)

10. Financial Instruments and Risks

The business risks associated with financial instruments are categorized as market (comprised of currency, interest rate, and other price risk), credit and liquidity risks. It is management's opinion that the Chamber is not exposed to significant market (comprised 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 a fixed rate 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.