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INDEPENDENT AUDITOR'S REPORT

To the Members of Heritage Agricultural Society

We have audited the accompanying financial statements of Heritage Agricultural Society, which comprise the statement of financial position as at October 31, 2012 and the statements of revenues and expenditures, changes in net assets 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 Organizations, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

(continues)

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Basis for Qualified Opinion

In common with many not-for-profit organizations, Heritage Agricultural Society derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Heritage Agricultural Society. Therefore, we were not able to determine whether any adjustments might be necessary to donations revenue, excess of revenues over expenditures, and cash flows from operations for the year ended October 31, 2012, current assets and net assets as at November 1, 2011 and October 31, 2012

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Heritage Agricultural Society as at October 31, 2012 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 Organizations.

Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that Heritage Agricultural Society adopted Canadian Accounting Standards for Not-for-Profit Organizations on November 1, 2011 with a transition date of November 1, 2010. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at October 31, 2011 and November 1, 2010 and the statements of revenues and expenditures, changes in net assets and cash flows for the year ended October 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.



Stony Plain, Alberta
January 4, 2013

HAWKINGS EPP DUMONT LLP
Chartered Accountants

HERITAGE AGRICULTURAL SOCIETY

Statement of Financial Position

As at October 31, 2012

| | <i>October 31</i> 2012 | <i>October 31</i> 2011 | <i>November 1</i> 2010 |
|--|----------------------------------|---------------------------|---------------------------|
| ASSETS | | | |
| CURRENT | | | |
| Cash | \$ 120,575 | \$ - | \$ - |
| Edmonton Community Foundation investment | 19,149 | 19,941 | 66,488 |
| Marketable securities | 45,193 | 94,772 | 93,240 |
| Accounts receivable | 21,542 | 67,756 | 13,157 |
| Inventory | 81,041 | 103,452 | 112,137 |
| Goods and services tax recoverable | 2,248 | - | 319 |
| Prepaid expenses | 119 | 1,606 | 6,424 |
| | 289,867 | 287,527 | 291,765 |
| PROPERTY AND EQUIPMENT <i>(Note 3)</i> | 291,576 | 294,857 | 281,677 |
| | \$ 581,443 | \$ 582,384 | \$ 573,442 |
| LIABILITIES | | | |
| CURRENT | | | |
| Bank indebtedness | \$ - | \$ 43,418 | \$ 154,940 |
| Accounts payable | 42,122 | 38,120 | 56,298 |
| Goods and services tax payable | - | 3,235 | - |
| Wages payable | 16,090 | 15,671 | - |
| Deferred revenue | 107,134 | 67,839 | 37,844 |
| | 165,346 | 168,283 | 249,082 |
| NET ASSETS | | | |
| General fund | 124,521 | 119,244 | 42,683 |
| Restricted fund | 291,576 | 294,857 | 281,677 |
| | 416,097 | 414,101 | 324,360 |
| | \$ 581,443 | \$ 582,384 | \$ 573,442 |

ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

The accompanying notes are an integral part of these financial statements.

HERITAGE AGRICULTURAL SOCIETY
Statement of Revenues and Expenditures
For The Year Ended October 31, 2012

| | 2012 | 2011 |
|--|------------------|------------------|
| REVENUE | | |
| Provincial and other grants (Schedule 1) | \$ 351,463 | \$ 240,270 |
| Homesteaders Kitchen (Schedule 2) | 297,742 | 294,971 |
| Municipal grants (Schedule 3) | 131,768 | 177,518 |
| Electrical Safety game | 114,134 | 105,777 |
| Cultural services (Schedule 4) | 108,829 | 121,963 |
| Art/Artisans services (Schedule 5) | 102,670 | 91,497 |
| Property lease/rentals | 91,474 | 83,492 |
| Donations and other projects (Schedule 6) | 45,499 | 75,500 |
| Demonstration Farm - sponsorship - Parkland County | 45,000 | - |
| Federal grants | 12,963 | 15,988 |
| Fundraising - net (Schedule 8) | 12,157 | 34,685 |
| | <u>1,313,699</u> | <u>1,241,661</u> |
| EXPENDITURES | | |
| Homesteaders Kitchen (Schedule 2) | 346,369 | 313,295 |
| Administration expenditures (Schedule 9) | 287,257 | 283,103 |
| Facility maintenance expenditures (Schedule 10) | 120,555 | 112,219 |
| Art/Artisans services (Schedule 5) | 120,048 | 132,388 |
| Cultural services (Schedule 4) | 118,658 | 107,427 |
| Electrical safety game | 89,378 | 78,549 |
| Historical resources expenditures (Schedule 11) | 83,770 | 75,777 |
| Demonstration Farm expenditures | 52,615 | 9,602 |
| Heritage Farmers Market | 15,864 | 16,940 |
| Advertising and promotion | 12,097 | 9,346 |
| Amortization | 16,278 | 16,278 |
| | <u>1,262,889</u> | <u>1,154,924</u> |
| EXCESS OF REVENUE OVER EXPENDITURES FROM OPERATIONS | <u>50,810</u> | <u>86,737</u> |
| OTHER INCOME | | |
| Interest income (loss) | 1,389 | 3,004 |
| Dividend income | 768 | - |
| Loss on disposal of investments | (50,971) | - |
| | <u>(48,814)</u> | <u>3,004</u> |
| EXCESS OF REVENUE OVER EXPENDITURES | <u>\$ 1,996</u> | <u>\$ 89,741</u> |

The accompanying notes are an integral part of these financial statements.

HERITAGE AGRICULTURAL SOCIETY
Statement of Cash Flows
For The Year Ended October 31, 2012

| | 2012 | 2011 |
|---|-------------------|--------------------|
| OPERATING ACTIVITIES | | |
| Excess of revenue over expenditures | \$ 1,996 | \$ 89,741 |
| Items not affecting cash: | | |
| Amortization | 16,278 | 16,278 |
| Loss on disposal of investments | 50,971 | - |
| | 69,245 | 106,019 |
| Changes in non-cash working capital: | | |
| Accounts receivable | 46,214 | (54,599) |
| Inventory | 22,411 | 8,685 |
| Accounts payable | 4,007 | (186) |
| Prepaid expenses | 1,487 | 4,818 |
| Goods and services tax payable | (5,483) | 3,554 |
| Wages payable | 419 | (2,320) |
| Deferred revenue | 39,295 | 29,995 |
| | 108,350 | (10,053) |
| | 177,595 | 95,966 |
| INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (14,394) | (29,458) |
| Decrease in Investment in Edmonton Community Foundation | 792 | 45,014 |
| | (13,602) | 15,556 |
| INCREASE IN CASH FLOW | 163,993 | 111,522 |
| Deficiency - beginning of year | (43,418) | (154,940) |
| CASH (DEFICIENCY) - END OF YEAR | \$ 120,575 | \$ (43,418) |
| CASH FLOWS SUPPLEMENTARY INFORMATION | | |
| Interest received | \$ (1,389) | \$ (3,004) |
| Interest paid | \$ 8,312 | \$ 8,934 |
| Income taxes paid | \$ - | \$ - |
| CASH (DEFICIENCY) CONSISTS OF: | | |
| Cash | \$ 120,575 | \$ - |
| Bank indebtedness | - | (43,418) |
| | \$ 120,575 | \$ (43,418) |

The accompanying notes are an integral part of these financial statements.