

HERITAGE AGRICULTURAL SOCIETY

Financial Statements

For The Year Ended October 31, 2013

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING


To the Members of Heritage Agricultural Society

The management of Heritage Agricultural Society prepared these financial statements and is responsible for their reliability, completeness and integrity. They conform in all material respects to Canadian accounting standards for not-for-profit.

Management maintains the necessary accounting and internal control systems designed to ensure: the timely production of reliable and accurate financial information, the protection of assets (to a reasonable extent) against loss or unauthorized use, and the promotion of operational efficiency. The Board of Directors oversees management's responsibilities for the financial reporting and internal control systems.

The auditors, appointed by the membership, conducted an audit of these financial statements in accordance with Canadian generally accepted auditing standards. The President and Vice President reviewed these financial statements with the auditors in detail before recommending their approval to the Board of Directors.

Stony Plain, Alberta
January 8, 2014



Locksley McGann, President



Debi Mills, Vice President

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, 2013 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 audit opinion.

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Independent Auditor's Report to the Members of Heritage Agricultural Society *(continued)*

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Heritage Agricultural Society as at October 31, 2013 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.

A handwritten signature in black ink that reads "Hawkings Epp Dumont LLP". The signature is written in a cursive, flowing style.

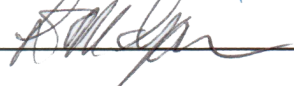
Stony Plain, Alberta
January 8, 2014

Hawkings Epp Dumont LLP
Chartered Accountants

HERITAGE AGRICULTURAL SOCIETY
Statement of Financial Position
As At October 31, 2013

	2013	2012
ASSETS		
CURRENT		
Cash	\$ 89,884	\$ 120,575
Edmonton Community Foundation investment	28,334	19,149
Marketable securities	33,995	45,193
Accounts receivable (Note 3)	40,043	21,542
Inventory (Note 4)	64,057	81,042
Goods and services tax recoverable	-	2,248
Prepaid expenses	119	119
	<u>256,432</u>	289,868
LONG TERM INVESTMENTS (Note 5)	41,609	42,083
PROPERTY AND EQUIPMENT (Note 6)	<u>309,834</u>	291,576
	<u>\$ 607,875</u>	<u>\$ 623,527</u>
LIABILITIES		
CURRENT		
Accounts payable	\$ 16,013	\$ 42,124
Goods and services tax payable	1,054	-
Wages payable	15,288	16,090
	<u>32,355</u>	58,214
DEFERRED REVENUE	<u>119,275</u>	107,134
	<u>151,630</u>	165,348
LEASE COMMITMENTS (Note 8)		
NET ASSETS		
General fund	146,411	166,603
Invested in property and equipment	<u>309,834</u>	291,576
	<u>456,245</u>	458,179
	<u>\$ 607,875</u>	<u>\$ 623,527</u>

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, 2013

	2013	2012
REVENUE		
Homesteaders Kitchen (<i>Schedule 1</i>)	\$ 264,914	\$ 297,742
Provincial and other grants (<i>Schedule 2</i>)	238,012	351,463
Municipal grants	136,808	131,768
Electrical safety game	114,131	114,130
Cultural services (<i>Schedule 3</i>)	108,276	108,829
Property lease/rentals	97,958	91,478
Art/Artisans services (<i>Schedule 4</i>)	61,566	102,670
Donations and other projects	55,269	45,499
Fundraising	30,292	12,157
Agricultural programs (<i>Schedule 5</i>)	30,000	45,000
Federal grants	14,873	12,963
	<u>1,152,099</u>	<u>1,313,699</u>
EXPENDITURES		
Homesteaders Kitchen (<i>Schedule 1</i>)	284,257	346,369
Administration expenditures (<i>Schedule 6</i>)	276,339	287,257
Facility maintenance expenditures (<i>Schedule 7</i>)	116,544	120,555
Art/Artisans services (<i>Schedule 4</i>)	103,029	120,048
Cultural services (<i>Schedule 3</i>)	96,532	118,658
Historical resources expenditures (<i>Schedule 8</i>)	95,095	83,770
Electrical safety game	87,671	89,382
Agricultural programs (<i>Schedule 5</i>)	67,338	68,479
Advertising and promotion	9,959	12,097
Amortization	16,278	16,278
	<u>1,153,042</u>	<u>1,262,893</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FROM OPERATIONS	<u>(943)</u>	<u>50,806</u>
OTHER INCOME		
Investment income	2,708	1,389
Dividend income	817	768
Loss on disposal of investments	(4,516)	(50,971)
	<u>(991)</u>	<u>(48,814)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>\$ (1,934)</u>	<u>\$ 1,992</u>

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

HERITAGE AGRICULTURAL SOCIETY
Statement of Changes in Net Assets
For The Year Ended October 31, 2013

	General Fund	Invested in Property and Equipment	2013	2012
NET ASSETS - BEGINNING OF YEAR	\$ 166,603	\$ 291,576	\$ 458,179	\$ 414,100
Deficiency of revenue over expenditures	(1,934)	-	(1,934)	1,992
Transfer from retained earnings	(18,258)	18,258	-	-
	146,411	309,834	456,245	416,092
Prior period adjustments <i>(Note 9)</i>	-	-	-	42,083
NET ASSETS - END OF YEAR	\$ 146,411	\$ 309,834	\$ 456,245	\$ 458,175

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

HERITAGE AGRICULTURAL SOCIETY
Statement of Cash Flows
For The Year Ended October 31, 2013

	2013	2012
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	\$ (1,934)	\$ 1,992
Items not affecting cash:		
Amortization	16,278	16,278
Loss on disposal of investments	4,516	50,971
	<u>18,860</u>	<u>69,241</u>
Changes in non-cash working capital:		
Accounts receivable	(18,501)	46,214
Inventory	16,986	22,412
Accounts payable	(26,111)	4,004
Prepaid expenses	-	1,487
Goods and services tax payable	3,302	(5,483)
Edmonton Community Foundation investment	(9,185)	792
Wages payable	(802)	419
Deferred revenue	12,141	39,295
	<u>(22,170)</u>	<u>109,140</u>
	<u>(3,310)</u>	<u>178,381</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(24,536)	(14,388)
Repayment of grant	(10,000)	-
Proceeds from sale of marketable securities	6,682	-
Change in Parkland Bingo Members' Equity	473	-
	<u>(27,381)</u>	<u>(14,388)</u>
INCREASE (DECREASE) IN CASH FLOW	(30,691)	163,993
Cash (deficiency) - beginning of year	<u>120,575</u>	<u>(43,418)</u>
CASH - END OF YEAR	\$ 89,884	\$ 120,575
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest received	<u>\$ (2,708)</u>	<u>\$ (1,389)</u>
Interest paid	<u>\$ 6,553</u>	<u>\$ 8,312</u>

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

HERITAGE AGRICULTURAL SOCIETY
Notes to Financial Statements
For The Year Ended October 31, 2013

The Society was incorporated under the Agricultural Societies Act of Alberta on June 1, 1973 and is a non-profit organization and registered charity under the Income Tax Act of Canada. The Heritage Agricultural Society will engage local residents, businesses, governments, community organizations and visitors as they record, promote and celebrate the agricultural heritage, cultural roots and historic values of the tri-communities. They will develop and deliver creative and innovative programs and services. These programs and services will provide quality experiences focused on their areas of excellence for their residents and visitors and will provide private, public and philanthropic partnership opportunities

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Basis of presentation

The financial statements reflect the assets, liabilities, revenues and expenses of the Society's business operations.

Measurement uncertainty

Certain amounts in the financial statements are subject to measurement uncertainty and are based on the Society's best information and judgment. Actual results could differ from these estimates.

Examples of significant estimates include:

- reported amounts of revenues and expenses
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities

Estimates are based on a number of factors including historical experience, current events and actions that the Society may undertake in the future, and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. In particular, estimates are used in accounting for certain items such as revenues, allowance for doubtful accounts, useful lives of capital assets, asset impairments and legal and tax contingencies.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealised gains and losses reported in income. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Cash and short term investments

Cash and cash equivalents consist primarily of commercial paper and deposits with an original maturity date of purchase of three months or less. Because of the short term maturity of these investments, their carrying amount approximates fair value.

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HERITAGE AGRICULTURAL SOCIETY
Notes to Financial Statements
For The Year Ended October 31, 2013

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

Investments

Marketable securities consist of shares of a publicly traded corporation which were donated to the Society and are recorded at the fair market value.

Edmonton Community Foundation represents funds held on deposit for investment purposes. One of the purposes of the Foundation is to administer funds for the benefit of registered charities. The investment is recorded at the fair market value.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on an average cost basis.

Property and equipment

Property and equipment is stated at cost less accumulated amortization. Property and equipment is amortized over its estimated useful life at the following rates and methods:

Buildings	40 years	straight-line method
Equipment	20%	straight-line method
Art gallery permanent collection		carried at cost
Future building development costs		carried at cost

In the year of acquisition, amortization is calculated at one half of the above rates.

The Society regularly reviews its property and equipment to eliminate obsolete items. Government grants are treated as a reduction of property and equipment cost. In the year of acquisition, half-rates are applied.

No value has been assigned for the Museum Collection held by the society, as there is no net realizable value readily obtainable.

Long-lived assets

Long-lived assets consist of property and equipment. Long-lived assets held for use are measured and amortized as described in the above accounting policy.

The Society performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's value. Any impairment is included in income for the year.

Prices for similar items are used to measure the fair value of long-lived assets.

Government grants

Government grants are recorded when there is a reasonable assurance that the Society had complied with and will continue to comply with, all the necessary conditions to obtain the grants.

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HERITAGE AGRICULTURAL SOCIETY
Notes to Financial Statements
For The Year Ended October 31, 2013

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

Revenue recognition

- a) Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred.
- b) Unrestricted contributions are recognized when received or receivable if the amounts to be received can be reasonably estimated and collection is reasonably assured.

Donated services

A portion of the Society's activities is carried out by services donated by individuals. The value of these services has not been determined, and accordingly, is not recorded in these financial statements.

2. FINANCIAL INSTRUMENTS

The Society is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Society's risk exposure and concentration as of October 31, 2013.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Society is exposed to credit risk from customers. In order to reduce its credit risk, the Society reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Society has a significant number of customers which minimizes concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Society is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, obligations under capital leases, contributions to the pension plan, and accounts payable.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Society manages exposure through its normal operating and financing activities. The Society is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

3. ACCOUNTS RECEIVABLE

	<u>2013</u>	<u>2012</u>
Accounts receivable	\$ 40,043	\$ 21,542

HERITAGE AGRICULTURAL SOCIETY
Notes to Financial Statements
For The Year Ended October 31, 2013

4. INVENTORY

	2013
Inventory - Kitchen	\$ 7,795
Inventory - General store	56,263
	\$ 64,058

5. LONG TERM INVESTMENTS

The Society has a membership equity stakehold in the Parkland Bingo Association. This member's equity has a current value of \$41,609 and can be redeemed at any time by withdrawing from the Parkland Bingo Association.

6. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2013 Net book value	2012 Net book value
Buildings	\$ 651,136	\$ 435,374	\$ 215,762	\$ 232,040
Equipment	73,748	73,748	-	-
Art gallery permanent collection	18,480	-	18,480	18,480
Future building development costs	75,592	-	75,592	41,056
	\$ 818,956	\$ 509,122	\$ 309,834	\$ 291,576

7. BANK LOAN - LINE OF CREDIT

The Society has an approved line of credit for borrowing from a bank in the amount of \$80,000.

8. LEASE COMMITMENTS

The Society maintains and operates the Multicultural Centre and Oppertshauser house as well as a school premises (Demo Farm) which are located on land which is leased from the Parkland School Division for \$1.

9. PRIOR PERIOD ADJUSTMENT

During the year the Society elected to change the recognition policy of their investment in Parkland Bingo Association from a cost basis to an equity basis. The policy change has been applied on a retroactive basis.

HERITAGE AGRICULTURAL SOCIETY
Homesteaders Kitchen
For The Year Ended October 31, 2013

(Schedule 1)

	2013	2012
REVENUE		
Sales	\$ 237,755	\$ 267,852
Sales - GST exempt	16,646	20,247
Catering sales	7,599	5,596
Beverage sales	2,914	4,047
	264,914	297,742
EXPENDITURES		
Salaries	178,975	220,949
Food costs	81,303	100,347
Supplies	16,021	13,878
Liquor	2,242	2,502
Repairs and maintenance	1,853	6,117
Equipment lease	1,492	1,413
Gratuities paid out	1,156	(68)
Smallwares	825	921
Equipment	390	310
	284,257	346,369
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ (19,343)	\$ (48,627)

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

HERITAGE AGRICULTURAL SOCIETY
Provincial and Other Grants
For The Year Ended October 31, 2013

(Schedule 2)

	2013	2012
REVENUE		
Agricultural Society grant	\$ 111,329	\$ 217,000
Museum Alberta grant	52,010	30,539
Alberta Art Foundation	51,923	39,719
Community Initiatives Program	20,750	58,250
MRTA	2,000	4,000
Employment - STEP	-	1,955
	\$ 238,012	\$ 351,463

Cultural Services
For The Year Ended October 31, 2013

(Schedule 3)

	2013	2012
REVENUE		
School programming fees	\$ 36,356	\$ 36,671
City slickers	36,122	40,325
Special events	26,048	22,393
Miscellaneous special grants	8,525	6,277
Drama Troupe	1,225	3,163
	108,276	108,829
EXPENDITURES		
Programming salaries	44,366	29,873
City slickers	21,580	25,783
School salaries	16,990	22,865
Special events supplies	8,920	13,339
School supplies	2,471	2,520
Miscellaneous grant expenses	918	-
MYP contract fees	871	23,172
Little green thumbs	361	-
Volunteer recognition	55	516
Drama Troupe expenses	-	590
	96,532	118,658
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ 11,744	\$ (9,829)

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

HERITAGE AGRICULTURAL SOCIETY
Art/Artisans Services
For The Year Ended October 31, 2013

(Schedule 4)

	2013	2012
REVENUE		
General store sales	\$ 50,147	\$ 94,546
Exhibition sales	<u>11,419</u>	<u>8,124</u>
	<u>61,566</u>	<u>102,670</u>
EXPENDITURES		
Retail salaries	37,237	39,393
General store - cost of sales	35,374	43,848
Gallery salaries	12,060	16,717
Artist fees	7,000	6,500
Cost of art sold	6,748	5,201
Openings	1,800	1,435
Consignment	974	5,476
General store supplies	923	807
Gallery supplies	<u>913</u>	<u>671</u>
	<u>103,029</u>	<u>120,048</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>\$ (41,463)</u>	<u>\$ (17,378)</u>

Agricultural Programs
For The Year Ended October 31, 2013

(Schedule 5)

	2013	2012
REVENUE	<u>\$ 30,000</u>	<u>\$ 45,000</u>
EXPENSES		
Farm supplies	26,921	52,615
Heritage Farmers Market	26,472	15,864
Agriculture program wages	<u>13,945</u>	<u>-</u>
	<u>67,338</u>	<u>68,479</u>
LOSS FROM OPERATIONS	<u>\$ (37,338)</u>	<u>\$ (23,479)</u>

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

HERITAGE AGRICULTURAL SOCIETY
Administration Expenditures
For The Year Ended October 31, 2013

(Schedule 6)

	2013	2012
EXPENDITURES		
Administrative salaries	\$ 235,565	\$ 240,043
Office supplies	10,276	12,583
Professional fees	7,812	6,338
Telephone	5,967	5,680
Credit card service charge	4,071	4,416
Bank service charges	2,927	3,220
Postage and freight	2,870	3,188
Conferences and courses	2,332	4,840
Memberships and subscriptions	1,913	1,781
Workers' compensation	1,844	2,160
Office equipment	1,207	2,332
Interest	496	1,541
Shortage/Overage	(941)	(865)
	\$ 276,339	\$ 287,257

Facility Maintenance Expenditures
For The Year Ended October 31, 2013

(Schedule 7)

	2013	2012
EXPENDITURES		
Utilities	\$ 51,130	\$ 49,559
Caretaking salaries	30,810	30,581
Repairs and maintenance	9,899	7,129
Insurance and taxes	8,255	7,211
Grounds salaries	5,733	14,193
Garbage removal	3,739	3,739
Caretaking supplies	3,351	3,396
Security/Lockup	2,791	2,137
Ground supplies	836	1,290
Grounds capital improvements	-	1,320
	\$ 116,544	\$ 120,555

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

HERITAGE AGRICULTURAL SOCIETY
Historical Resources Expenditures
For The Year Ended October 31, 2013

(Schedule 8)

	<u>2013</u>	<u>2012</u>
EXPENDITURES		
Historical resources salaries	\$ 62,175	\$ 52,222
Museums Alberta	24,761	30,504
Programs and events	6,700	658
Historical resources display/supplies	1,060	253
Historical resources walking tours	385	108
Historical resources books and subscriptions	14	25
	<u>\$ 95,095</u>	<u>\$ 83,770</u>

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