

# **HERITAGE AGRICULTURAL SOCIETY**

**Financial Statements**

**For the Year Ended June 30, 2020**

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## INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

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To the Members of Heritage Agricultural Society

We have reviewed the accompanying financial statements of Heritage Agricultural Society (the Society) that comprise the statement of financial position as at June 30, 2020, and the statements of revenues and expenditures, changes in net assets and cash flow 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 (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.

### *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 Heritage Agricultural Society as at June 30, 2020, and the results of its operations and its cash flows for the year then ended in accordance with ASNPO.

*Hawkings Tinney LLP*

Stony Plain, Alberta  
September 10, 2020

Hawkings Tinney LLP  
Chartered Professional Accountants

**HERITAGE AGRICULTURAL SOCIETY**  
**Statement of Financial Position**  
**As At June 30, 2020**

	2020	2019
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 184,875	\$ 11,984
Marketable securities	34,047	1,578
Accounts receivable (Note 3)	39,788	53,915
Inventory (Note 4)	6,146	4,462
Goods and services tax recoverable	4,165	1,858
Prepaid expenses	5,161	4,931
	274,182	78,728
LONG TERM INVESTMENTS (Note 5)	73,800	78,051
TANGIBLE CAPITAL ASSETS (Note 6)	2,224,676	2,227,944
	\$ 2,572,658	\$ 2,384,723
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liability	\$ 12,271	\$ 22,862
Source deductions payable	6,102	6,830
Deferred revenue (Note 8)	66,403	116,615
	84,776	146,307
LONG TERM DEBT (Note 9)	40,000	150,000
DEFERRED CAPITAL ALLOCATION (Note 10)	696,960	726,000
	821,736	1,022,307
<b>NET ASSETS</b>		
Unrestricted	223,140	(139,528)
Invested in tangible capital assets (Note 11)	1,527,782	1,501,944
	1,750,922	1,362,416
	\$ 2,572,658	\$ 2,384,723

**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 June 30, 2020**

	2020	2019
<b>REVENUES</b>		
Expansion grant - Town of Stony Plain	\$ 300,000	\$ -
Provincial and Other Grants ( <i>Schedule 1</i> )	196,301	52,679
Municipal grants	166,056	148,942
Zap! Electrical Safety ( <i>Schedule 2</i> )	114,046	111,021
Property lease/rentals	85,749	60,724
Donations and other projects	53,219	4,417
Deferred Capital	29,040	30,250
Federal grants	19,056	18,514
Cultural Services ( <i>Schedule 3</i> )	18,699	35,193
Fundraising	18,528	16,196
Homesteaders Kitchen ( <i>Schedule 4</i> )	11,423	-
Art and Artisans Services ( <i>Schedule 5</i> )	7,392	10,271
Agricultural Programs ( <i>Schedule 6</i> )	28,520	47,204
	<b>1,048,029</b>	<b>535,411</b>
ART AND ARTISANS SERVICES ( <i>Schedule 5</i> )	<b>9,551</b>	<b>10,328</b>
GROSS PROFIT	<b>1,038,478</b>	<b>525,083</b>
<b>EXPENDITURES</b>		
Facility Maintenance ( <i>Schedule 7</i> )	256,076	185,997
Administration ( <i>Schedule 8</i> )	209,906	199,887
Zap! Electrical Safety ( <i>Schedule 2</i> )	65,795	76,235
Historical Resources ( <i>Schedule 9</i> )	48,082	78,101
Agricultural Programs ( <i>Schedule 6</i> )	40,206	31,262
Art and Artisans Services ( <i>Schedule 5</i> )	21,200	13,903
Cultural Services ( <i>Schedule 3</i> )	14,141	20,519
	<b>655,406</b>	<b>605,904</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FROM OPERATIONS</b>	<b>383,072</b>	<b>(80,821)</b>
<b>OTHER INCOME (EXPENSES)</b>		
Canada Emergency Wage Subsidy	24,816	-
Dividend income	2,232	-
Investment income	1,995	1,390
Gain on disposal of tangible capital assets	-	11,867
Gain (loss) on sale of marketable securities	(23,609)	1,089
	<b>5,434</b>	<b>14,346</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 388,506</b>	<b>\$ (66,475)</b>

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

**HERITAGE AGRICULTURAL SOCIETY**  
**Statement of Changes in Net Assets**  
**For The Year Ended June 30, 2020**

	Unrestricted	Invested in Tangible Capital Assets	<b>2020</b>	2019
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ (139,528)	\$ 1,501,944	<b>\$ 1,362,416</b>	\$ 1,428,891
EXCESS OF REVENUES OVER EXPENDITURES	362,668	25,838	<b>388,506</b>	(66,475)
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 223,140</b>	<b>\$ 1,527,782</b>	<b>\$ 1,750,922</b>	<b>\$ 1,362,416</b>

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

**HERITAGE AGRICULTURAL SOCIETY****Cash Flow Statement****For The Year Ended June 30, 2020**

	2020	2019
<b>OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenues over expenditures	\$ 388,506	\$ (66,475)
Items not affecting cash:		
Amortization	47,482	47,029
Gain on disposal of tangible capital assets	-	(11,867)
Deferred Capital	(29,040)	(30,250)
	<u>406,948</u>	<u>(61,563)</u>
Changes in non-cash working capital:		
Accounts receivable	14,127	(41,747)
Inventory	(1,684)	2,395
Accounts payable and accrued liability	(10,592)	(21,707)
Prepaid expenses	(230)	(463)
Goods and services tax payable	(2,307)	(11,553)
Source deductions payable	(728)	(8,609)
Deferred revenue	(50,212)	116,442
	<u>(51,626)</u>	<u>34,758</u>
	<u>355,322</u>	<u>(26,805)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of tangible capital assets	(44,213)	(19,910)
Proceeds on disposal of tangible capital assets	-	22,427
Change in long term investment	4,251	(353)
Change in marketable securities	(32,469)	(389)
	<u>(72,431)</u>	<u>1,775</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from long term financing	40,000	-
Repayment of long term debt	(150,000)	-
	<u>(110,000)</u>	<u>-</u>
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>172,891</b>	<b>(25,030)</b>
Cash - beginning of year	<u>11,984</u>	<u>37,014</u>
<b>CASH - END OF YEAR</b>	<b>\$ 184,875</b>	<b>\$ 11,984</b>

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

# HERITAGE AGRICULTURAL SOCIETY

## Notes to Financial Statements

For The Year Ended June 30, 2020

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Heritage Agricultural Society (the "Society") was incorporated under the Agricultural Societies Act of Alberta on June 1, 1973 and is a not-for-profit organization and is a 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.

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### 1. SUBSEQUENT EVENTS

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, provincial, national and global economies.

Management is uncertain of the effects of these changes on its financial statements and believes that any disturbance may be temporary; however, there is uncertainty about the length and potential impact of the disturbance.

As a result, we are unable to estimate the potential impact on the Society's operations as at the date of these financial statements.

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

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

#### 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 expenditures during the period. The main estimates include the net realizable value of inventories and the useful life of property and equipment subject to amortization. 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.

#### 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 unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment when indicators of impairment exist. Transaction costs on the acquisition, sale, or issue of financial instruments subsequently recorded at fair value are expensed when incurred.

Financial assets measured at fair value include cash and cash equivalents and accounts receivable.

Financial liabilities measured at fair value include accounts payable, accrued liabilities and long term debt.

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# HERITAGE AGRICULTURAL SOCIETY

## Notes to Financial Statements

For The Year Ended June 30, 2020

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

#### Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents include cash on hand and balances with the banks, net of outstanding cheques.

#### Inventory

Inventories, which represents goods held for resale, are valued at the lower of cost and net realizable value. Net realizable value is defined as estimated selling price less estimated selling costs. Cost is determined on a first-in, first-out basis.

#### Tangible capital assets

Tangible capital assets are stated at cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and methods:

Land	N/A	non-amortizable
Buildings	40 years	straight-line method
Equipment	10 years	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 tangible capital assets to eliminate obsolete items.

#### Marketable securities

Investments for which there are quoted prices in an active market are carried at fair value. Unrealized gains or losses, or reversal of previously recognized impairment losses, are reported as part of net income.

#### Leases

Leases are classified as either capital or operating leases. At the time the Society enters into a capital lease, an asset is recorded with its related long-term obligation to reflect the acquisition and financing. Rental payments under operating leases are expensed as incurred.

#### Investments

Long term investments are classified as available-for-sale. As there is no active market for these shares, their fair value is estimated at amortized cost.

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**HERITAGE AGRICULTURAL SOCIETY**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2020**

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

Revenue recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions are 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 to be received can be reasonably estimated and collection is reasonably assured.

Deferred capital allocations are recognized as revenue on straight-line basis over the estimated useful life of the related tangible capital asset.

Event production and rental revenue is recognized when the amounts are received or receivable, if the amounts to be received can be reasonably estimated and collection is reasonably assured.

Liquor, food and vending revenue is recognized daily based on cash reports.

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.

Donated services and goods

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. Donated goods are recorded as gift-in-kind revenue at estimated market value only when the item would have otherwise been purchased.

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3. ACCOUNTS RECEIVABLE

	2020	2019
Accounts receivable	<b>\$ 39,788</b>	\$ 53,915

During the year, the charge for impairment related to accounts receivable is reported as bad debt expenditures on the statement of income (net of recoveries) in the amount of \$0 (2019 - \$0).

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4. INVENTORY

	2020	2019
Store	<b>\$ 6,146</b>	\$ 4,462

Inventory is comprised of artworks and general store supplies. The amount of inventory recognized as an expenditure during the year was \$9,551 (2019 - \$10,328).

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## HERITAGE AGRICULTURAL SOCIETY

### Notes to Financial Statements

For The Year Ended June 30, 2020

#### 5. LONG TERM INVESTMENTS

	2020	2019
Parkland Bingo Association	\$ 44,218	\$ 45,564
Edmonton Community Foundation	29,582	32,487
	\$ 73,800	\$ 78,051

The Society has a membership equity stakeholder in the Parkland Bingo Association. The equity can be redeemed at any time. The Society has an investment in the Edmonton Community Foundation, which represents funds held on deposit for investment purposes.

#### 6. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Land	\$ 1,190,000	\$ -	\$ 1,190,000	\$ 1,190,000
Buildings	1,524,319	655,569	868,750	876,297
Equipment	86,589	78,736	7,853	8,465
Computer equipment	2,828	707	2,121	-
Art gallery permanent collection	25,940	-	25,940	23,170
Future building development costs	130,012	-	130,012	130,012
	\$ 2,959,688	\$ 735,012	\$ 2,224,676	\$ 2,227,944

#### 7. BANK INDEBTEDNESS

ATB Operating Loan bearing interest at bank prime plus 2.75% to a maximum of \$80,000. Advances can be made on a revolving basis and interest only payments are required. The balance remaining on the operating loan as at June 30, 2020 is \$0 (2019 - \$0). Bank prime on June 30, 2020 was 2.45%.

The Operating Loan is secured by a general security agreement, real property and an assignment of leases and rents.

#### 8. DEFERRED REVENUE

Deferred revenue represents funds received prior to June 30, 2020, but relates to the subsequent expenditures as follows:

	2019	Additions	Used	2020
Zap! Electrical Safety	\$ 116,442	\$ -	\$ 50,039	\$ 66,403
Gift cards and grants	173	-	173	-
	\$ 116,615	\$ -	\$ 50,212	\$ 66,403

**HERITAGE AGRICULTURAL SOCIETY**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2020**

9. LONG TERM DEBT

	2020	2019
ATB loan bearing interest at 0% per annum until December 31, 2022, 5% per annum subsequently with repayment due December 31, 2025. If 75% of balance is repaid prior to January 1, 2023, remaining 25% is forgiven.	\$ 40,000	\$ -
Retired debt	-	150,000
Amounts payable within one year	-	-
	\$ 40,000	\$ 150,000
Principal repayment terms are approximately:		
2025	\$ 40,000	

10. DEFERRED CAPITAL ALLOCATION

	2020	2019
Balance, beginning of year	\$ 726,000	\$ 756,250
Less: amounts amortized to income	(29,040)	(30,250)
Balance, end of year	\$ 696,960	\$ 726,000

11. INVESTED IN TANGIBLE CAPITAL ASSETS

	2020	2019
Tangible capital assets	\$ 2,224,742	\$ 2,227,944
Deferred capital allocation	(696,960)	(726,000)
	\$ 1,527,782	\$ 1,501,944

# HERITAGE AGRICULTURAL SOCIETY

## Notes to Financial Statements For The Year Ended June 30, 2020

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### 12. 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 June 30, 2020.

#### **(a) 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.

#### **(b) 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, and accounts payable.

#### **(c) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

Unless otherwise noted, it is management's opinion that the Society is not exposed to significant other price risks arising from these financial instruments.

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**HERITAGE AGRICULTURAL SOCIETY**  
**Provincial and Other Grants**  
**For The Year Ended June 30, 2020**

*(Schedule 1)*

	2020	2019
<b>REVENUES</b>		
Agricultural Society Program	\$ 95,523	\$ -
Agriculture and Forestry Energy Grant	50,039	26,376
Alberta Foundation for the Arts	25,739	26,303
Alberta Museums Association	25,000	-
	<b>\$ 196,301</b>	<b>\$ 52,679</b>

**Zap! Electrical Safety**  
**For The Year Ended June 30, 2020**

*(Schedule 2)*

	2020	2019
<b>REVENUES</b>	\$ 114,046	\$ 111,021
<b>EXPENDITURES</b>		
Electrical safety game	65,795	76,235
<b>INCOME FROM OPERATIONS</b>	<b>\$ 48,251</b>	<b>\$ 34,786</b>

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

**HERITAGE AGRICULTURAL SOCIETY****Cultural Services****(Schedule 3)****For The Year Ended June 30, 2020**

	<b>2020</b>	2019
<b>REVENUES</b>		
School Programming Fees	\$ 7,044	\$ 18,171
Craft Programs and Workshops	5,223	2,636
Operthouser house tours	2,359	2,790
Open farm days	2,275	1,411
Special Events	1,798	7,606
City Slickers	-	2,579
	<u>18,699</u>	<u>35,193</u>
<b>EXPENDITURES</b>		
Special Events Supplies	4,858	3,205
Programs/Workshop Expenditure	4,791	613
Open farm days	2,206	893
School Salaries	1,981	6,894
School Supplies	267	1,337
Volunteer Recognitions	38	-
City Slickers	-	7,577
	<u>14,141</u>	<u>20,519</u>
<b>INCOME FROM OPERATIONS</b>	<u>\$ 4,558</u>	<u>\$ 14,674</u>

**Homesteaders Kitchen****(Schedule 4)****For The Year Ended June 30, 2020**

	<b>2020</b>	2019
<b>REVENUES</b>	<u>\$ 11,423</u>	<u>\$ -</u>

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

**HERITAGE AGRICULTURAL SOCIETY**

**Art and Artisans Services**

*(Schedule 5)*

**For The Year Ended June 30, 2020**

	2020	2019
<b>REVENUES</b>		
Shelf space rentals	\$ 3,309	\$ -
Store	2,047	4,297
Artist Application Fees	1,828	275
Exhibition	208	5,699
	<u>7,392</u>	<u>10,271</u>
<b>COST OF SALES</b>		
Gallery artist fees	6,315	3,181
Consignments	2,062	1,451
Purchases	1,070	5,093
Art	104	603
	<u>9,551</u>	<u>10,328</u>
<b>GROSS PROFIT</b>	<u>(2,159)</u>	<u>(57)</u>
<b>EXPENDITURES</b>		
Gallery salaries	19,320	12,000
Gallery supplies	635	967
Gallery openings	569	453
Red Brick Arts Expenses	522	-
General store supplies	154	483
	<u>21,200</u>	<u>13,903</u>
<b>LOSS FROM OPERATIONS</b>	<u>\$ (23,359)</u>	<u>\$ (13,960)</u>

**Agricultural Programs**  
**For The Year Ended June 30, 2020**

*(Schedule 6)*

	2020	2019
<b>REVENUES</b>		
OMG Tuition	\$ 26,953	\$ 32,954
Community Supported Agriculture grant	1,567	14,250
	<u>28,520</u>	<u>47,204</u>
<b>EXPENDITURES</b>		
Agricultural program wages	15,840	8,603
Farm supplies	10,552	10,360
Community Support Agriculture salaries	9,439	7,814
OMG Contractors	4,375	4,485
	<u>40,206</u>	<u>31,262</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>\$ (11,686)</u>	<u>\$ 15,942</u>

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

**HERITAGE AGRICULTURAL SOCIETY****Facility Maintenance****(Schedule 7)****For The Year Ended June 30, 2020**

	2020	2019
<b>EXPENDITURES</b>		
Repairs and maintenance	\$ 55,591	\$ 18,073
Amortization	47,482	47,029
Utilities	46,654	48,322
Student wages	30,663	6,904
Grounds salaries	20,017	16,843
Insurance	15,879	15,090
PERC - repairs and maintenance	9,500	10,005
Caretaking salaries	7,827	6,762
Caretaking supplies	6,425	4,397
Ground supplies	6,303	4,548
Garbage removal	4,124	3,914
Gallery repairs and maintenance	2,989	1,362
Security/lockup	1,755	1,416
Refurbishing OH	867	1,332
	<u>\$ 256,076</u>	<u>\$ 185,997</u>

**Administration****(Schedule 8)****For The Year Ended June 30, 2020**

	2020	2019
<b>EXPENDITURES</b>		
Salaries and wages	\$ 163,321	\$ 152,553
Professional fees	11,279	11,351
Consulting fees	6,789	7,441
Office	5,907	4,784
Interest and bank charges	5,724	6,861
Telephone	5,550	4,896
Training	3,534	550
Interest on long term debt	2,867	8,042
Advertising and promotion	2,860	2,429
Memberships	1,324	975
Workers' Compensation	289	5
Supplies	256	-
Delivery, freight and express	206	-
	<u>\$ 209,906</u>	<u>\$ 199,887</u>

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



HERITAGE AGRICULTURAL SOCIETY

Historical Resources

(Schedule 9)

For The Year Ended June 30, 2020

	2020	2019
<b>EXPENDITURES</b>		
Salaries and wages	\$ 47,197	\$ 77,141
Display/supplies	885	960
	<u>\$ 48,082</u>	<u>\$ 78,101</u>

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