

# **Heritage Park Society**

Financial Statements  
**December 31, 2018**



## *Independent auditor's report*

To the Members of Heritage Park Society

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### *Our opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Heritage Park Society (the Society) as at December 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 organizations.

#### **What we have audited**

The Society's financial statements comprise:

- the balance sheet as at December 31, 2018;
- the statement of revenue and expenses and changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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### *Basis for opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

#### **Independence**

We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### *Responsibilities of management and those charged with governance for the financial statements*

Management is responsible for the preparation and fair presentation of the 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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



In preparing the financial statements, management is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society's financial reporting process.

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### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants

Calgary, Alberta  
April 30, 2019

# Heritage Park Society

## Balance Sheet

As at December 31, 2018

			2018	2017
	Operating Fund \$	Capital and Preservation Fund \$	Total \$	Total \$
<b>Assets</b>				
<b>Current assets</b>				
Cash	2,740,982	-	2,740,982	1,675,542
Short-term investments	1,004,802	-	1,004,802	1,003,400
Accounts receivable (notes 7 and 12)	995,285	403,670	1,398,955	1,056,304
Prepaid expenses	108,791	28,064	136,855	131,694
Inventory	620,408	-	620,408	892,329
	5,470,268	431,734	5,902,002	4,759,269
<b>Long-term assets</b>				
Accounts receivable (note 12)	348,105	-	348,105	442,091
Collection assets (note 3)	-	28,519,666	28,519,666	27,054,348
Capital assets (note 4)	-	41,492,007	41,492,007	43,589,299
	5,818,373	70,443,407	76,261,780	75,845,007
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities (note 11)	1,805,607	213,290	2,018,897	1,915,155
Due to/from other funds	1,290,094	(1,290,094)	-	-
Deferred revenue	513,456	-	513,456	541,617
Deposits on account	203,017	-	203,017	230,369
	3,812,174	(1,076,804)	2,735,370	2,687,141
<b>Deferred contributions</b> (note 5)	1,254,323	-	1,254,323	512,438
	5,066,497	(1,076,804)	3,989,693	3,199,579
<b>Fund Balances</b>				
Unrestricted	751,876	-	751,876	1,003,325
Internally restricted (note 6 (a))	-	951,323	951,323	1,397,800
Externally restricted (note 6 (b))	-	1,256,506	1,256,506	334,771
Internally restricted - net investment in collection assets	-	28,519,666	28,519,666	27,054,348
Internally restricted - net investment in capital assets	-	40,792,716	40,792,716	42,855,184
	751,876	71,520,211	72,272,087	72,645,428
	5,818,373	70,443,407	76,261,780	75,845,007

### Approved by the Board of Directors



Director



Director

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

# Heritage Park Society

## Statement of Revenue and Expenses and Changes in Fund Balances

For the year ended December 31, 2018

			2018	2017
	Operating Fund \$	Capital and Preservation Fund \$	Total \$	Total \$
<b>Revenue</b>				
Food services (note 7)	6,595,849	-	6,595,849	7,283,022
Admissions	4,334,199	-	4,334,199	4,935,501
Grants (note 9)	3,822,810	3,268,887	7,091,697	5,480,080
Retail	1,262,102	-	1,262,102	1,463,977
Donations and sponsorships	1,093,295	442,263	1,535,558	2,802,030
Other revenue	886,848	17,554	904,402	780,917
Heritage Park Foundation contribution (note 7)	61,446	-	61,446	57,700
Interest	59,448	5,026	64,474	26,645
Gain (loss) on disposal of capital assets	-	10,233	10,233	(2,236)
	18,115,997	3,743,963	21,859,960	22,827,636
<b>Expenses</b>				
Operating and maintenance (note 3)	11,141,891	446,198	11,588,089	11,248,472
Selling, general and administrative (note 7)	4,333,305	204,990	4,538,295	5,068,669
Product costs – food	1,972,115	-	1,972,115	2,306,050
Product costs – retail	920,135	-	920,135	882,106
Amortization expenses	-	2,995,559	2,995,559	3,171,827
Reduction in collection assets	-	219,108	219,108	124,484
	18,367,446	3,865,855	22,233,301	22,801,608
<b>(Deficiency) excess of revenue over expenses</b>	(251,449)	(121,892)	(373,341)	26,028
<b>Fund balances – Beginning of year</b>	1,003,325	71,642,103	72,645,428	72,619,400
<b>Interfund transfer (note 6 (a))</b>	-	-	-	-
<b>Fund balances – End of year</b>	751,876	71,520,211	72,272,087	72,645,428

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

# Heritage Park Society

## Statement of Cash Flows

For the year ended December 31, 2018

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	2018 \$	2017 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
(Deficiency) excess of revenue over expenses of the Operating Fund	(251,449)	1,667,152
Revenue of the Capital and Preservation Fund related to operating and maintenance	446,198	399,738
Expenses of the Capital and Preservation Fund related to operating and maintenance	(446,198)	(399,738)
	(251,449)	1,667,152
Net change in non-cash working capital items	744,243	(1,117,808)
	492,794	549,344
<b>Investing activities</b>		
Additions to collection assets	(1,667,650)	(858,412)
Additions to capital assets	(929,890)	(1,102,304)
Net (increase) decrease in short-term investments	(1,402)	(1,588)
Net change in non-cash working capital items related to investing activities	(87,463)	147,568
Proceeds on disposal of capital assets	44,855	43,057
Proceeds on disposal of collection assets	200	-
	(2,641,350)	(1,771,679)
<b>Financing activities</b>		
Revenue of the Capital and Preservation Fund restricted for capital asset additions	3,267,555	1,696,384
Fundraising expenses for capital activities	(204,990)	(198,762)
Net change in non-cash working capital items related to financing activities	151,431	13,485
	3,213,996	1,511,107
<b>Increase in cash during the year</b>	1,065,440	288,772
<b>Cash – Beginning of year</b>	1,675,542	1,386,770
<b>Cash – End of year</b>	2,740,982	1,675,542
<b>Supplemental information</b>		
Interest paid	-	-

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

## **1 Basis of operations**

The Heritage Park Society (the “Society”) operates the Heritage Park Historical Village and has a mission to connect people with the settlement of Western Canada by preserving and sharing Western Canadian heritage. The Society was incorporated in 1963 under the Societies Act of Alberta and has operated under a multi-year lease agreement with the City of Calgary (“the City”) since 1964. Provisions under the agreement include an annual operating grant, the amount of which is set by the City. The agreement is in effect through to July 31, 2022, with renewal opportunity before that date or termination by either party with one year’s notice.

Under the terms of the agreement with the City, the Society is to maintain and improve the land on which the Park is located. The Society does not pay taxes for use of the land. The agreement also stipulates that title to all lands and improvements is vested with the City. The Society may encumber its capital and collection assets within the guidelines of the Society by-laws, and the land with the approval of the City.

The Society, as a registered charity, is exempt from income tax and may issue tax receipts to donors for qualified donations.

## **2 Summary of significant accounting policies**

### **Basis of accounting**

The Society prepares its financial statements in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”).

### **Fund accounting**

The Society follows the restricted fund method of accounting for contributions. The Society maintains the following funds:

- i) The Operating Fund contains the assets, liabilities, revenues and expenses related to the Park’s operating activities.
- ii) The Capital and Preservation Fund contains the assets, liabilities, revenues and expenses related to the Society’s collection and capital assets.

Amounts due to/from funds are non-interest bearing, unsecured and have no fixed terms of repayment.



**Revenue recognition**

Restricted contributions are recognized as revenue of the appropriate restricted fund or, if no appropriate restricted fund exists, they are recognized as revenue in the Operating Fund as the related expenditures are incurred. Unrestricted contributions are recognized as revenue in the Operating Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted investment income is recognized as revenue in the fund in which it is earned. Unrestricted investment income is recognized as revenue in the Operating Fund.

Food services, admissions, retail and other revenue are recognized when services are provided or goods sold and collection is reasonably assured.

**Capital assets**

Purchased and donated capital assets are recorded in the Capital and Preservation Fund at cost or at their estimated fair value at the date of contribution for donated capital assets. Amortization is computed using the declining balance method as follows:

Infrastructure	5 - 15%
Service buildings and improvements	5 - 15%
Equipment and furnishings	20 - 45%
Computer hardware and software	45%

Amortization expense is reported in the Capital and Preservation Fund.

**Collection assets**

Collection assets held for exhibit are recorded in the Capital and Preservation Fund at cost, if purchased or at their estimated fair value at the date of contribution for donated collection assets. No amortization is charged on these assets.

**Capitalized labour**

Labour costs associated with the construction of collection and capital assets are capitalized.

**Investments**

Short-term investments, comprised entirely of guaranteed investment certificates having a maturity greater than 30 days but less than one year from the date of purchase, are carried at market value with realized and unrealized gains or losses recognized directly in the Statement of Revenue and Expenses and Changes in Fund Balances.

# Heritage Park Society

## Notes to Financial Statements

December 31, 2018

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### Inventory

Inventory comprised primarily of food and supplies is valued at average cost. Inventory comprised of goods purchased and held for resale is valued at the lower of average cost and net realizable value.

### Pension plan

The Society maintains a voluntary defined contribution pension plan for its full-time and part-time continuous employees. The Society matches employees' contributions up to a maximum 5% of their gross salary.

The 2018 pension cost of \$240,056 (2017 - \$243,983) was expensed in operating and maintenance, and selling, general and administrative in the Statement of Revenue and Expenses and Changes in Fund Balances of the Operating Fund during the year.

### Gifts in kind

Gifts in kind include donated goods and services and donated investments.

Donated goods and services are recorded as revenue and expenses when the fair market value is reasonably determinable and when they would normally be purchased and paid for by the Society, if not donated. During 2018, \$314,509 (2017 - \$343,842) of donated goods and services was recorded in the financial statements.

The Society maintains records of volunteer hours for statistical reporting purposes. Services donated to the Society through volunteer work are not reflected in the financial statements.

During the year, the Society received \$357,205 (2017 - \$317,395) of donated investments which were immediately liquidated for cash proceeds and recorded in the financial statements.

### Financial instruments

The Society initially measures financial assets and liabilities at their fair value. It subsequently measures its financial assets and liabilities at amortized cost, other than short-term investments and long-term receivables that are reported at fair value. The financial assets subsequently measured at amortized cost include cash and accounts receivable. The financial liabilities subsequently measured at amortized cost include the line of credit deposits on account and accounts payable and accrued liabilities.

It is management's opinion that the Society's exposure to risk on its financial instruments did not change from the prior period and is as follows:

a) Credit and liquidity risk

The Society's credit and liquidity risk exposure relates primarily to cash and accounts receivable. Cash balances are denominated in local currency and held with reputable Canadian financial institutions. Management considers accounts receivable to be fully collectible. Management does not consider the Society to be exposed to significant credit and liquidity risk.

# Heritage Park Society

## Notes to Financial Statements

December 31, 2018

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b) Interest rate, currency and other price risk

Short-term investments are limited to Guaranteed Investment Certificates held with a reputable Canadian financial institution. Cash balances, short-term investments and accounts receivable are denominated in local currency. Management does not consider the Society to be exposed to significant interest rate, currency and other price risk.

### Use of estimates

The preparation of the financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### 3 Collection assets

The Society owns a collection of historical buildings, rolling stock, furnishings and equipment which are held for public exhibition and education. These assets are protected, cared for and preserved on an ongoing basis. The change in collection assets during 2018 was as follows:

	2017	Additions	Reductions	2018
	\$	\$	\$	\$
Food and retail buildings	5,264,389	115,686	26,414	5,353,661
Exhibit buildings	7,624,874	68,020	20,406	7,672,488
Railway and streetcars	3,867,283	264,761	77,241	4,054,803
Midway assets	1,954,701	24,226	8,466	1,970,461
Other period structures	1,294,520	942,402	6,901	2,230,021
Artifacts	5,589,201	25,901	6,510	5,608,592
Marine	783,535	233,572	70,072	947,035
Period buses	304,481	1,705	512	305,674
Buggies and wagons	218,147	1,000	300	218,847
Period vehicles	153,217	6,954	2,086	158,085
	<u>27,054,348</u>	<u>1,684,227</u>	<u>218,908</u>	<u>28,519,667</u>

During 2018, collection assets were donated to the Society in the amount of \$16,777 (2017 – \$159,800). Reductions of collection assets reflect the book value of collection assets that were reconstructed, replaced or disposed during the year. Proceeds arising from disposals of collection assets in the year were \$200 (2017 – \$nil). The Society uses the proceeds for the direct care and maintenance of the collection assets.

During 2018, \$144,565 (2017 – \$152,481) of maintenance expenses related to the collection assets were incurred and are included in operating and maintenance expense.

**Heritage Park Society**  
Notes to Financial Statements  
December 31, 2018

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**4 Capital assets**

			<b>2018</b>	<b>2017</b>
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>	<b>\$</b>
		<b>\$</b>		
Infrastructure	31,125,209	16,353,066	14,772,143	15,631,951
Service buildings and improvements	45,991,137	20,054,237	25,936,900	27,091,208
Equipment and furnishings	7,012,519	6,419,507	593,012	678,147
Computer hardware and software	3,809,227	3,619,275	189,952	187,993
	<u>87,938,092</u>	<u>46,446,085</u>	<u>41,492,007</u>	<u>43,589,299</u>

During 2018, equipment and furnishings were donated to the Society in the amount of \$3,200 (2017 – \$nil).

**5 Deferred contributions**

Deferred contributions represent externally restricted amounts received that have not been spent. These amounts are restricted as follows:

	<b>2017</b>	<b>Additions</b>	<b>Releases</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Heirloom	264,578	64,062	304,564	24,076
Program donations and grants	247,860	1,011,347	28,959	1,230,248
	<u>512,438</u>	<u>1,075,409</u>	<u>333,523</u>	<u>1,254,324</u>

**6 Fund balances**

**a) Internally restricted**

**Capital and Preservation Fund**

Internally restricted funds of \$951,323 (2017 – \$1,397,800) represent amounts approved by the Board for projects not funded by external parties.

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Balance – Beginning of year</b>	1,397,800	18,869
Utilized in year	(456,710)	(268,833)
Interfund transfers		1,650,000
(Loss) gain on disposal of capital and collection assets	10,233	(2,236)
<b>Balance – End of year</b>	<u>951,323</u>	<u>1,397,800</u>

**Heritage Park Society**  
Notes to Financial Statements  
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**b) Externally restricted**

**Capital and Preservation Fund**

Externally restricted funds of \$1,256,506 (2017 – \$334,771) remain restricted by contributors for capital expenditures.

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Balance – Beginning of year</b>	334,771	599,029
Donations and grants	3,733,329	2,255,925
Utilized during the year	(2,811,594)	(2,520,183)
<b>Balance – End of year</b>	<u>1,256,506</u>	<u>334,771</u>

**7 Related party transactions**

The Society received a contribution of \$61,446 (2017 – \$57,700) from the Heritage Park Foundation (the “Foundation”), a related not for profit organization whose purpose is to carry out fundraising and investment activities for the benefit of the Society, but operates under an independent Board of Directors.

The Society provided management and administrative services to the Foundation in the amount of \$168,963 (2017– \$168,322), which are reimbursed to the Society by the Foundation and are recorded as a reduction of selling, general and administrative expenses. In addition, the Society provided catering and other services to the Foundation for fundraising events totaling \$68,370 (2017 – \$67,459) and are recorded in food services revenue.

Accounts receivable include \$54,387 (2017 – \$46,034) due from the Heritage Park Foundation. These balances are non-interest bearing with no fixed terms of repayment.

**8 Fundraising expenses**

As required under Section 7(2) of the Charitable Fundraising Regulation in Alberta, the following amounts are disclosed.

	<b>\$</b>
Amounts paid as remuneration to employees whose principal duties involve fundraising	161,678
Direct expenses incurred for the purpose of soliciting contributions including grants and donations	58,683

## **9 Grants awarded**

### **a) City of Calgary Lifecycle & Maintenance Grant (CPRiiP)**

The City provides the Society with an annual grant to support the ongoing maintenance of assets. In 2018, the Society received \$2,091,572 (2017 – \$1,714,659) from the City for lifecycle maintenance expenses.

### **b) City of Calgary Operating Grant**

The City provides funding to cover a portion of the operating and capital expenditures of the Society. Funding is determined annually at the discretion of City Council. In 2018, total operating support was \$3,713,787 (2017 – \$3,002,165).

### **c) Government of Alberta Natural Resources Project**

In 2018, the Society received a \$1,500,000 grant from the Government of Alberta Minister of Culture and Tourism. The grant is to be used exclusively for the Natural Resources Project. During the year, \$1,110,000 (2017 – \$nil) was recorded as grant revenue of the Capital and Preservation Fund, and \$28,459 (2017 – \$nil) was utilized for program development and recorded as grant revenue in the Operating Fund. During the year, \$5,026 (2017 – \$nil) was accrued in interest. All interest accrued was used towards the purpose of the grant.

## **10 Line of credit**

The Society has a \$5,000,000 revolving demand facility. Use of the line of credit is limited to funding the timing difference between confirmed contributions to the It's About Time Capital Campaign and the actual costs of construction. It is secured by a general security agreement on all movable assets of the Society and by the Society's investment account with National Bank Financial Group. The balance outstanding at December 31, 2018 is \$nil (2017 – \$nil). This line of credit bears interest at rate of Royal Bank prime plus 0.45% per annum and is payable on a monthly basis.

## **11 Government remittances**

Accounts payable and accrued liabilities include government remittances payable of \$nil (2017 – \$nil).

## **12 Long-term accounts receivable**

In 2017, the Society entered into a sponsorship agreement with BMO Financial Group for an amount of \$1,000,000 to support the Colonist Car National Pride Tour. The agreement allowed the sponsorship amount to be paid over time. As of December 31, 2018, the Society has received \$500,000 (2017 – \$400,000). The remaining receivable balance was discounted to net present value with amounts due in 2018 of \$93,986 classified as current accounts receivable, and amounts due in future years of \$348,105 classified as long-term accounts receivable.