

**MEDICINE HAT & DISTRICT CHAMBER OF  
COMMERCE**

**Financial Statements**

**For The Year Ended August 31, 2016**

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**Review Engagement Report**

**To The Board of Directors**

**MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE**

We have reviewed the statement of financial position of **Medicine Hat & District Chamber of Commerce** as at August 31, 2016, and the statements of changes in net assets, operations and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the Chamber.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for not-for-profit organization.

*Johnston Morrison Hunter & Co. Professional Corporation*



**Chartered Accountants**

**Medicine Hat, Alberta  
October 19, 2016**

**MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE**

**Statement of Financial Position  
August 31, 2016**

**(Unaudited)**

	2016	2015
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	358,682	337,045
Short-term investments (Note 3)	40,000	40,000
Accounts receivable	15,884	34,913
Prepaid expenses and other current assets (Note 4)	<u>92,763</u>	<u>70,812</u>
	507,329	482,770
<b>Capital Assets (Note 5)</b>	<u>212,118</u>	<u>209,766</u>
	<u>719,447</u>	<u>692,536</u>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	51,685	78,630
Goods and services tax payable	11,076	8,087
Deferred revenue (Note 6)	342,272	333,386
Current portion of obligation under capital lease (Note 7)	<u>2,308</u>	<u>2,982</u>
	407,341	423,085
<b>Obligation Under Capital Lease (Note 7)</b>	<u>9,847</u>	<u>-</u>
	<u>417,188</u>	<u>423,085</u>
<b>Commitment (Note 8)</b>		
<b>Net Assets</b>		
<b>Invested in Capital Assets</b>	199,963	206,784
<b>Unrestricted</b>	<u>102,296</u>	<u>62,667</u>
	<u>302,259</u>	<u>269,451</u>
	<u>719,447</u>	<u>692,536</u>
<b>Approved by the Board</b>		
Director: 	Director: 	

The accompanying notes are an integral part of these financial statements

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

Statement of Changes in Net Assets  
For The Year Ended August 31, 2016

(Unaudited)

	Invested In Capital Assets	Unrestricted	Total 2016	Total 2015
	\$	\$	\$	\$
<b>Balance, beginning of year</b>	206,784	62,667	<b>269,451</b>	215,589
Excess of revenue over expenses for the year	-	32,808	<b>32,808</b>	53,862
Net addition of capital assets	16,242	(16,242)	-	-
Amortization of capital assets	<u>(23,063)</u>	<u>23,063</u>	<u>-</u>	<u>-</u>
<b>Balance, end of year</b>	<u><u>199,963</u></u>	<u><u>102,296</u></u>	<u><u>302,259</u></u>	<u><u>269,451</u></u>

The accompanying notes are an integral part of these financial statements

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

Statement of Operations  
For The Year Ended August 31, 2016

(Unaudited)

	Direct Revenue	Direct Expenses	2016	2015
	\$	\$	\$	\$
<b>Revenue and Direct Expenses</b>				
Board	-	38,214	(38,214)	(43,593)
Business advocacy	-	57,639	(57,639)	(41,744)
Membership	199,931	80,215	119,716	124,492
Fall trade show	194,096	160,701	33,395	51,412
Spring trade show	252,506	169,746	82,760	69,206
Business builders	27,723	43,605	(15,882)	(14,455)
Business awards	63,805	59,377	4,428	11,734
Annual general meeting	-	4,342	(4,342)	(4,080)
ACC AGM	-	-	-	(10,040)
Cluster signs	39,474	2,919	36,555	25,002
Communication	785	24,134	(23,349)	(26,680)
Walsh	79	4,594	(4,515)	11,138
E-Zine	2,987	7,127	(4,140)	(3,267)
	<u>781,386</u>	<u>652,613</u>	<u>128,773</u>	<u>149,125</u>
<b>General and Administrative Expenses</b>				
General and administrative expenses, Schedule "A"			130,219	128,850
Amortization			23,063	18,053
Interest and bank charges			1,159	1,980
Interest on obligation under capital lease			126	553
			<u>154,567</u>	<u>149,436</u>
<b>Deficiency of Revenue Over Expenses Before Other Revenue</b>			<u>(25,794)</u>	<u>(311)</u>
<b>Other Revenue</b>				
(Loss) on disposal of capital assets			(1,365)	-
Group insurance			56,390	48,961
Other sales			(126)	41
Interest and investment			632	933
Rental			3,071	4,238
			<u>58,602</u>	<u>54,173</u>
<b>Excess of Revenue Over Expenses For The Year</b>			<u>32,808</u>	<u>53,862</u>

The accompanying notes are an integral part of these financial statements

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

Statement of Cash Flows  
For The Year Ended August 31, 2016

(Unaudited)

	2016	2015
	\$	\$
<b>Cash Flows From Operating Activities</b>		
Excess of revenue over expenses for the year	32,808	53,862
<b>Non-Cash Items</b>		
Amortization	23,063	18,053
Loss on disposal of capital assets	<u>1,365</u>	<u>-</u>
	57,236	71,915
<b>Changes in Non-Cash Working Capital</b>		
Accounts receivable	19,029	(609)
Prepaid expenses and other current assets	(21,951)	(5,501)
Accounts payable and accrued liabilities	(26,945)	(34,876)
Goods and services tax payable	2,989	8,090
Deferred revenue	<u>8,886</u>	<u>64,215</u>
	<u>39,244</u>	<u>103,234</u>
<b>Cash Flows From Investing Activities</b>		
Acquisition of capital assets	<u>(26,780)</u>	<u>(88,413)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from capital lease obligations	12,155	-
Payments on capital lease obligations	<u>(2,982)</u>	<u>(2,595)</u>
	<u>9,173</u>	<u>(2,595)</u>
<b>Cash and Cash Equivalents Increase</b>	21,637	12,226
<b>Cash and Cash Equivalents, beginning of year</b>	<u>337,045</u>	<u>324,819</u>
<b>Cash and Cash Equivalents, end of year</b>	<u><u>358,682</u></u>	<u><u>337,045</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, 2016

Schedule "A"

(Unaudited)

	2016	2015
	\$	\$
Advertising and promotion	500	524
Bad debts	-	997
Dues and memberships	2,530	1,764
Equipment rental	210	662
Honorariums	130	70
Insurance	6,391	5,742
Meetings	3,212	3,057
Office supplies	7,763	9,147
Office equipment	-	2,693
Merchant charges	804	1,102
Repairs and maintenance	23,589	16,340
Salaries, wages and benefits	75,733	75,209
Subcontractors & casual labour	-	2,271
Telephone, fax and internet	4,542	3,536
Travel and convention	1,024	654
Utilities	<u>3,791</u>	<u>5,082</u>
	<u>130,219</u>	<u>128,850</u>

The accompanying is an integral part of these financial statements

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

Notes to the Financial Statements  
For The Year Ended August 31, 2016

(Unaudited)

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**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 advances 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 &amp; DISTRICT CHAMBER OF COMMERCE

Notes to the Financial Statements  
For The Year Ended August 31, 2016(Unaudited)

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**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 deferred capital contributions. Unamortized deferred capital contributions are taken into income, as amortization of deferred capital contributions, 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.

**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.

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

Notes to the Financial Statements  
For The Year Ended August 31, 2016

(Unaudited)

3. Short-Term Investments

	2016	2015
	\$	\$
Term deposit, bearing interest at 1.80% maturing on October 18, 2017.	<u>40,000</u>	<u>40,000</u>

4. Prepaid Expenses and Other Current Assets

	2016	2015
	\$	\$
Direct expenses	90,504	68,604
Insurance	<u>2,259</u>	<u>2,208</u>
	<u>92,763</u>	<u>70,812</u>

5. Capital Assets

	Cost	Accumulated Amortization	Net Book Value	
			2016	2015
	\$	\$	\$	\$
Land	50,370	-	50,370	50,370
Buildings	161,488	95,820	65,668	65,275
Parking lot	49,460	2,782	46,678	49,151
Computer equipment	28,394	11,706	16,688	9,146
Computer software	752	627	125	376
Furniture and fixtures	26,751	14,266	12,485	9,025
Signs	<u>31,594</u>	<u>11,490</u>	<u>20,104</u>	<u>26,423</u>
	<u>348,809</u>	<u>136,691</u>	<u>212,118</u>	<u>209,766</u>

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

	Cost	Accumulated Amortization	Net Book Value	
			2016	2015
	\$	\$	\$	\$
Computer equipment	<u>12,155</u>	<u>506</u>	<u>11,649</u>	<u>2,731</u>

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

Notes to the Financial Statements  
For The Year Ended August 31, 2016

(Unaudited)

6. Deferred Revenue

	2016	2015
	\$	\$
Cluster signs	12,201	19,170
Memberships	140,910	131,916
Tradeshows	149,935	156,437
Rent	476	2,176
Sponsorship	<u>38,750</u>	<u>23,687</u>
	<u>342,272</u>	<u>333,386</u>

7. Obligation Under Capital Lease

	2016	2015
	\$	\$
Secured by a photocopier (carrying value \$11,649). Repayable in annual instalments of \$2,624 principal and interest, with interest calculated at 2.60% per annum, due June 2021.	12,155	-
Repaid during the year.	-	2,982
Portion repayable within one year	<u>(2,308)</u>	<u>(2,982)</u>
	<u>9,847</u>	<u>-</u>

8. Commitment

The Chamber is committed under agreements for ground maintenance, cleaning services, and the rental of office equipment. Total annual payments under these agreements, are as follows:

	\$
2017	4,425

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

Notes to the Financial Statements  
For The Year Ended August 31, 2016

(Unaudited)

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.

	2016	2015
	\$	\$
<b>Revenue:</b>		
Event admission / sponsorship	12,328	11,217
Advertising	1,024	1,024
Membership	2,845	968
<b>General and Administrative Expenses:</b>		
Insurance	6,442	6,238
Other	9,661	2,442

## MEDICINE HAT &amp; DISTRICT CHAMBER OF COMMERCE

Notes to the Financial Statements  
For The Year Ended August 31, 2016(Unaudited)

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**10. Financial Instruments and Risks**

The business risks associated with financial instruments are categorized as market, credit and liquidity risks. It is management's opinion that the Chamber is not exposed to significant market (consisting of currency and other price risk) or liquidity risks arising from these financial instruments.

However, the Chamber is exposed to 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 fixed rates 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.