

**MEDICINE HAT & DISTRICT CHAMBER OF
COMMERCE**

Financial Statements

For The Year Ended August 31, 2014

	Page
Review Engagement Report	1
Statement of Financial Position	2
Statement of Changes in Net Assets	3
Statement of Operations	4
Statement of Cash Flows	5
General and Administrative Expenses, Schedule "A"	6
Notes to the Financial Statements	7

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, 2014, 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
November 5, 2014**

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

**Statement of Financial Position
August 31, 2014**

(Unaudited)

	2014	2013
	\$	\$
Assets		
Current		
Cash and cash equivalents	324,819	136,458
Short-term investments (Note 3)	40,000	80,000
Accounts receivable	34,304	32,522
Goods and services tax receivable	3	3,746
Prepaid expenses and other current assets (Note 4)	<u>65,311</u>	<u>46,789</u>
	464,437	299,515
Capital Assets (Note 5)	<u>139,406</u>	<u>122,139</u>
	<u><u>603,843</u></u>	<u><u>421,654</u></u>
Liabilities		
Current		
Accounts payable and accrued liabilities	113,506	33,389
Deferred revenue (Note 7)	269,171	213,927
Current portion of obligation under capital lease (Note 8)	<u>2,595</u>	<u>2,259</u>
	385,272	249,575
Obligation Under Capital Lease (Note 8)	<u>2,982</u>	<u>5,577</u>
	<u>388,254</u>	<u>255,152</u>
Commitments (Note 9)		
Net Assets		
Invested in Capital Assets	133,829	114,303
Unrestricted	<u>81,760</u>	<u>52,199</u>
	<u>215,589</u>	<u>166,502</u>
	<u><u>603,843</u></u>	<u><u>421,654</u></u>

Approved by the Board

Director:

Director:

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

Statement of Changes in Net Assets
For The Year Ended August 31, 2014

(Unaudited)

	Invested In Capital Assets	Unrestricted	Total 2014	Total 2013
	\$	\$	\$	\$
Balance , beginning of year	114,303	52,199	166,502	125,062
Excess of revenue over expenses for the year	-	49,087	49,087	41,440
Net addition of capital assets	33,433	(33,433)	-	-
Amortization of capital assets	<u>(13,907)</u>	<u>13,907</u>	<u>-</u>	<u>-</u>
Balance , end of year	<u>133,829</u>	<u>81,760</u>	<u>215,589</u>	<u>166,502</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, 2014**

(Unaudited)

	Direct Revenue	Direct Expenses	2014	2013
	\$	\$	\$	\$
Revenue and Direct Expenses				
Board	-	32,644	(32,644)	(18,141)
Business advocacy	-	70,753	(70,753)	(79,413)
Membership	177,862	65,850	112,012	123,135
Fall trade show	177,949	147,024	30,925	30,000
Spring trade show	225,896	173,739	52,157	56,914
Energy Expo	249,369	206,126	43,243	-
Business builders	14,715	32,740	(18,025)	(10,249)
Business awards	72,267	67,055	5,212	7,113
Annual general meeting	-	4,823	(4,823)	(3,946)
Cluster signs	40,419	12,031	28,388	36,070
Communication	675	28,090	(27,415)	(22,730)
Walsh	102,014	84,786	17,228	18,005
E-Zine	4,298	6,945	(2,647)	(4,918)
	<u>1,065,464</u>	<u>932,606</u>	<u>132,858</u>	<u>131,840</u>
General and Administrative Expenses				
General and administrative expenses, Schedule "A"			120,148	119,877
Amortization			13,907	12,407
Interest and bank charges			2,725	2,353
Interest on obligation under capital lease			925	1,248
			<u>137,705</u>	<u>135,885</u>
(Deficiency) of Revenue Over Expenses Before Other Revenue			<u>(4,847)</u>	<u>(4,045)</u>
Other Revenue				
Group insurance			47,658	39,535
Other sales			450	354
Interest and investment			930	365
Rental			4,896	5,231
			<u>53,934</u>	<u>45,485</u>
Excess of Revenue Over Expenses For The Year			<u><u>49,087</u></u>	<u><u>41,440</u></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, 2014

(Unaudited)

	2014	2013
	\$	\$
Cash Flows From Operating Activities		
Excess of revenue over expenses for the year	49,087	41,440
Non-Cash Items		
Amortization	<u>13,907</u>	<u>12,407</u>
	62,994	53,847
Changes in Non-Cash Working Capital		
Short-term investments	40,000	(80,000)
Accounts receivable	(1,782)	(24,398)
Goods and services tax receivable	3,743	2,209
Prepaid expenses and other current assets	(18,521)	(3,257)
Accounts payable and accrued liabilities	80,116	(53,272)
Deferred revenue	<u>55,244</u>	<u>5,954</u>
	<u>221,794</u>	<u>(98,917)</u>
Cash Flows From Investing Activities		
Acquisition of capital assets	<u>(31,174)</u>	<u>(6,051)</u>
Cash Flows From Financing Activities		
Payments on capital lease obligations	<u>(2,259)</u>	<u>(1,967)</u>
Cash and Cash Equivalents Increase (Decrease)	188,361	(106,935)
Cash and Cash Equivalents, beginning of year	<u>136,458</u>	<u>243,393</u>
Cash and Cash Equivalents, end of year	<u><u>324,819</u></u>	<u><u>136,458</u></u>
Cash and Cash Equivalents Consist of Cash on Hand.		

The accompanying notes are an integral part of these financial statements

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

General and Administrative Expenses
For The Year Ended August 31, 2014

Schedule "A"

(Unaudited)

	2014	2013
	\$	\$
Advertising and promotion	478	568
Bad debts	2,163	1,894
Dues and memberships	1,378	1,987
Equipment rental	948	1,185
Honorariums	-	770
Insurance	5,067	4,695
Meetings	2,586	1,681
Office and miscellaneous	6,694	18,199
Professional fees	17,392	21,052
Repairs and maintenance	14,117	13,446
Salaries, wages and benefits	57,433	41,905
Subcontractors & casual labour	54	1,500
Telephone, fax and internet	4,600	4,773
Travel and convention	1,045	567
Utilities	<u>6,193</u>	<u>5,655</u>
	<u>120,148</u>	<u>119,877</u>

The accompanying notes are an integral part of these financial statements

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

Notes to the Financial Statements For The Year Ended August 31, 2014

(Unaudited)

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
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 & DISTRICT CHAMBER OF COMMERCE

Notes to the Financial Statements For The Year Ended August 31, 2014

(Unaudited)

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, 2014**

(Unaudited)

3. Short-Term Investments

	2014	2013
	\$	\$
Term deposit, bearing interest at 0.95% maturing on October 15, 2014.	<u>40,000</u>	<u>80,000</u>

4. Prepaid Expenses and Other Current Assets

	2014	2013
	\$	\$
Direct expenses	63,629	42,808
Insurance	1,682	1,806
Web design	<u>-</u>	<u>2,175</u>
	<u>65,311</u>	<u>46,789</u>

5. Capital Assets

	Cost	Accumulated Amortization	Net Book Value	
	\$	\$	2014	2013
	\$	\$	\$	\$
Land	50,370	-	50,370	50,370
Buildings	158,972	115,664	43,308	47,035
Computer equipment	22,705	12,676	10,029	11,500
Computer software	752	125	627	-
Furniture and fixtures	21,044	9,915	11,129	13,234
Signs	<u>23,943</u>	<u>-</u>	<u>23,943</u>	<u>-</u>
	<u>277,786</u>	<u>138,380</u>	<u>139,406</u>	<u>122,139</u>

Included in signs are assets valued at \$23,943 that were under construction and therefore not available for use in 2014.

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

	Cost	Accumulated Amortization	Net Book Value	
	\$	\$	2014	2013
	\$	\$	\$	\$
Computer equipment	<u>9,101</u>	<u>4,551</u>	<u>4,550</u>	<u>6,370</u>

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

**Notes to the Financial Statements
For The Year Ended August 31, 2014**

(Unaudited)

6. Assets Pledged as Security

The Chamber has assigned an interest in all supplies and accounts receivable and a floating charge over all present and after acquired real property as security against its demand revolving credit facilities of up to \$50,000 with interest calculated at prime plus 2.00%. As at August 31, 2014, no amount was payable on this facility.

7. Deferred Revenue

	2014	2013
	\$	\$
Cluster signs	12,817	14,708
Memberships	129,032	94,228
Tradeshows	95,760	89,905
Rent	1,562	1,560
Sponsorship	<u>30,000</u>	<u>13,526</u>
	<u><u>269,171</u></u>	<u><u>213,927</u></u>

8. Obligation Under Capital Lease

	2014	2013
	\$	\$
Secured by a photocopier (carrying value \$4,550). Repayable in annual instalments of \$3,425 principal and interest, with interest calculated at 14.87% per annum, due December 2015.	5,577	7,836
Portion repayable within one year	<u>(2,595)</u>	<u>(2,259)</u>
	<u><u>2,982</u></u>	<u><u>5,577</u></u>

Total payments of obligation under capital lease are as follows:

	Principal	Interest	Total
	\$	\$	\$
2015	2,595	830	3,425
2016	<u>2,982</u>	<u>443</u>	<u>3,425</u>
	<u><u>5,577</u></u>	<u><u>1,273</u></u>	<u><u>6,850</u></u>

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

Notes to the Financial Statements For The Year Ended August 31, 2014

(Unaudited)

9. Commitments

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

	\$
2015	6,764

10. 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.

	2014	2013
	\$	\$
Revenue:		
Event admission / sponsorship	9,842	2,415
Advertising	709	709
Membership	3,596	662
Other sales	-	95
Direct Expenses:		
Travel reimbursement	300	1,695
Advertising	9,414	-
General and Administrative Expenses:		
Insurance	4,913	-
Professional fees	8,741	4,850
Other	483	521

At year-end, no amount (2013 - \$1,797) is owing to directors or directors' companies which is included in accounts payable and other accrued liabilities.

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

Notes to the Financial Statements For The Year Ended August 31, 2014

(Unaudited)

11. Financial Instruments and Risks

The Chamber's activities expose it to a variety of financial risks. The Chamber's overall business strategies, tolerance of risk and general risk management philosophy are determined by directors in accordance with prevailing economic and operating conditions.

The financial instruments of the Chamber consist of cash and cash equivalents, short-term investments, accounts receivable, goods and services tax receivable, accounts payable and accrued liabilities and obligation under capital lease. 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.