

**MEDICINE HAT & DISTRICT CHAMBER OF
COMMERCE**

Financial Statements

For The Year Ended August 31, 2015

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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, 2015, 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 4, 2015**

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

Statement of Financial Position

August 31, 2015

(Unaudited)

	2015	2014
	\$	\$
Assets		
Current		
Cash and cash equivalents	337,045	324,819
Short-term investments (Note 3)	40,000	40,000
Accounts receivable	34,913	34,304
Goods and services tax receivable	-	3
Prepaid expenses and other current assets (Note 4)	<u>70,812</u>	<u>65,311</u>
	482,770	464,437
Capital Assets (Note 5)	<u>209,766</u>	<u>139,406</u>
	<u><u>692,536</u></u>	<u><u>603,843</u></u>
Liabilities		
Current		
Accounts payable and accrued liabilities	78,630	113,506
Goods and services tax payable	8,087	-
Deferred revenue (Note 6)	333,386	269,171
Current portion of obligation under capital lease (Note 7)	<u>2,982</u>	<u>2,595</u>
	423,085	385,272
Obligation Under Capital Lease (Note 7)	<u>-</u>	<u>2,982</u>
	<u>423,085</u>	<u>388,254</u>
Commitments (Note 8)		
Net Assets		
Invested in Capital Assets	206,784	133,829
Unrestricted	<u>62,667</u>	<u>81,760</u>
	<u>269,451</u>	<u>215,589</u>
	<u><u>692,536</u></u>	<u><u>603,843</u></u>
Approved by the Board		

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, 2015

(Unaudited)

	Invested In Capital Assets	Unrestricted	Total 2015	Total 2014
	\$	\$	\$	\$
Balance , beginning of year	133,829	81,760	215,589	166,502
Excess of revenue over expenses for the year	-	53,862	53,862	49,087
Net addition of capital assets	91,008	(91,008)	-	-
Amortization of capital assets	<u>(18,053)</u>	<u>18,053</u>	<u>-</u>	<u>-</u>
Balance , end of year	<u>206,784</u>	<u>62,667</u>	<u>269,451</u>	<u>215,589</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, 2015**

(Unaudited)

	Direct Revenue	Direct Expenses	2015	2014
	\$	\$	\$	\$
Revenue and Direct Expenses				
Board	-	43,593	(43,593)	(32,644)
Business advocacy	-	41,744	(41,744)	(70,753)
Membership	199,187	74,695	124,492	112,011
Fall trade show	203,367	151,955	51,412	30,925
Spring trade show	246,783	177,577	69,206	52,158
Energy Expo	-	-	-	43,243
Business builders	20,301	34,756	(14,455)	(18,025)
Business awards	84,547	72,813	11,734	5,212
Annual general meeting	-	4,080	(4,080)	(4,823)
ACC AGM	98,265	108,305	(10,040)	-
Cluster signs	37,151	12,149	25,002	28,388
Communication	553	27,233	(26,680)	(27,415)
Walsh	89,552	78,414	11,138	17,228
E-Zine	1,861	5,128	(3,267)	(2,647)
	<u>981,567</u>	<u>832,442</u>	<u>149,125</u>	<u>132,858</u>
General and Administrative Expenses				
General and administrative expenses, Schedule "A"			128,850	120,148
Amortization			18,053	13,907
Interest and bank charges			1,980	2,725
Interest on obligation under capital lease			553	925
			<u>149,436</u>	<u>137,705</u>
Deficiency of Revenue Over Expenses Before Other Revenue			<u>(311)</u>	<u>(4,847)</u>
Other Revenue				
Group insurance			48,961	47,658
Other sales			41	450
Interest and investment			933	930
Rental			4,238	4,896
			<u>54,173</u>	<u>53,934</u>
Excess of Revenue Over Expenses For The Year			<u>53,862</u>	<u>49,087</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, 2015

(Unaudited)

	2015	2014
	\$	\$
Cash Flows From Operating Activities		
Excess of revenue over expenses for the year	53,862	49,087
Non-Cash Items		
Amortization	<u>18,053</u>	<u>13,907</u>
	71,915	62,994
Changes in Non-Cash Working Capital		
Short-term investments	-	40,000
Accounts receivable	(609)	(1,782)
Goods and services tax receivable	-	3,743
Prepaid expenses and other current assets	(5,501)	(18,521)
Accounts payable and accrued liabilities	(34,876)	80,116
Goods and services tax payable	8,090	-
Deferred revenue	<u>64,215</u>	<u>55,244</u>
	<u>103,234</u>	<u>221,794</u>
Cash Flows From Investing Activities		
Acquisition of capital assets	<u>(88,413)</u>	<u>(31,174)</u>
Cash Flows From Financing Activities		
Payments on capital lease obligations	<u>(2,595)</u>	<u>(2,259)</u>
Cash and Cash Equivalents Increase	12,226	188,361
Cash and Cash Equivalents, beginning of year	<u>324,819</u>	<u>136,458</u>
Cash and Cash Equivalents, end of year	<u><u>337,045</u></u>	<u><u>324,819</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, 2015

Schedule "A"

(Unaudited)

	2015	2014
	\$	\$
Advertising and promotion	524	478
Bad debts	997	2,163
Dues and memberships	1,764	1,378
Equipment rental	662	948
Honorariums	70	-
Insurance	5,742	5,067
Meetings	3,057	2,586
Office supplies	9,147	4,085
Office equipment	2,693	-
Merchant charges	1,102	2,609
Professional fees	-	17,392
Repairs and maintenance	16,340	14,117
Salaries, wages and benefits	75,209	57,433
Subcontractors & casual labour	2,271	54
Telephone, fax and internet	3,536	4,600
Travel and convention	654	1,045
Utilities	<u>5,082</u>	<u>6,193</u>
	<u><u>128,850</u></u>	<u><u>120,148</u></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, 2015

(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
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 & DISTRICT CHAMBER OF COMMERCE

Notes to the Financial Statements For The Year Ended August 31, 2015

(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, 2015**

(Unaudited)

3. Short-Term Investments

	2015	2014
	\$	\$
Term deposit, bearing interest at 1.4% maturing on July 16, 2016.	<u>40,000</u>	<u>40,000</u>

4. Prepaid Expenses and Other Current Assets

	2015	2014
	\$	\$
Direct expenses	68,604	63,629
Insurance	<u>2,208</u>	<u>1,682</u>
	<u>70,812</u>	<u>65,311</u>

5. Capital Assets

	Cost	Accumulated Amortization	Net Book Value	
	\$	\$	2015	2014
	\$	\$	\$	\$
Land	50,370	-	50,370	50,370
Buildings	160,165	94,890	65,275	43,307
Parking lot	49,460	309	49,151	-
Computer equipment	23,200	14,054	9,146	10,029
Computer software	752	376	376	627
Furniture and fixtures	21,044	12,019	9,025	11,130
Signs	<u>31,594</u>	<u>5,171</u>	<u>26,423</u>	<u>23,943</u>
	<u>336,585</u>	<u>126,819</u>	<u>209,766</u>	<u>139,406</u>

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

	Cost	Accumulated Amortization	Net Book Value	
	\$	\$	2015	2014
	\$	\$	\$	\$
Computer equipment	<u>9,101</u>	<u>6,370</u>	<u>2,731</u>	<u>4,550</u>

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

**Notes to the Financial Statements
For The Year Ended August 31, 2015**

(Unaudited)

6. Deferred Revenue

	2015	2014
	\$	\$
Cluster signs	19,170	12,817
Memberships	131,916	129,032
Tradeshows	156,437	95,760
Rent	2,176	1,562
Sponsorship	<u>23,687</u>	<u>30,000</u>
	<u><u>333,386</u></u>	<u><u>269,171</u></u>

7. Obligation Under Capital Lease

	2015	2014
	\$	\$
Secured by a photocopier (carrying value \$2,731). Repayable in annual instalments of \$3,425 principal and interest, with interest calculated at 14.87% per annum, due December 2015.	2,982	5,577
Portion repayable within one year	<u>(2,982)</u>	<u>(2,595)</u>
	<u><u>-</u></u>	<u><u>2,982</u></u>

8. Commitments

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:

	\$
2016	4,588
2017	3,400

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

Notes to the Financial Statements For The Year Ended August 31, 2015

(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.

	2015	2014
	\$	\$
Revenue:		
Event admission / sponsorship	11,217	9,842
Advertising	1,024	709
Membership	968	3,596
Direct Expenses:		
Advertising	-	9,414
General and Administrative Expenses:		
Insurance	6,238	4,913
Professional fees	-	8,741
Other	2,442	483

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

Notes to the Financial Statements For The Year Ended August 31, 2015

(Unaudited)

10. 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 payable, 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.