

EDMONTON HERITAGE FESTIVAL ASSOCIATION

Financial Statements

Year Ended October 31, 2010

EDMONTON HERITAGE FESTIVAL ASSOCIATION
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Year Ended October 31, 2010

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AUDITORS' REPORT

To the Members of Edmonton Heritage Festival Association

We have audited the statement of financial position of Edmonton Heritage Festival Association as at October 31, 2010 and the statements of operations, changes in net assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the Association's board of directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not-for-profit organizations, the Association derives revenues from public donations and fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to the statement of operations, changes in net assets and cash flows.

In our opinion, except for the effects of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of donations and fundraising activities referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the association as at October 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Edmonton, Alberta
January 14, 2011


CHARTERED ACCOUNTANTS

EDMONTON HERITAGE FESTIVAL ASSOCIATION

Statement of Financial Position

October 31, 2010

	2010	2009
ASSETS		
CURRENT		
Cash in bank (Note 3)	\$ 78,557	\$ 44,218
Term deposits (Note 4)	311,628	247,963
Accounts receivable	18,214	26,606
Prepaid expenses	16,444	17,356
	<u>424,843</u>	336,143
TENTS AND EQUIPMENT (Note 5)	168,208	164,168
INVESTMENTS (Note 6)	449,286	409,762
	<u>\$ 1,042,337</u>	<u>\$ 910,073</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 46,783	\$ 20,101
Deferred Revenue (Note 7)	48,124	59,018
	<u>94,907</u>	79,119
NET ASSETS		
Internally restricted (Note 8)	649,632	612,632
Unrestricted	297,798	218,322
	<u>947,430</u>	830,954
	<u>\$ 1,042,337</u>	<u>\$ 910,073</u>

ON BEHALF OF THE BOARD

Director

Director

EDMONTON HERITAGE FESTIVAL ASSOCIATION

Statement of Changes in Net Assets

Year Ended October 31, 2010

	2010			2009
	Internally Restricted	Unrestricted	Total	Total
BALANCE, beginning of year	\$ 612,632	\$ 218,322	\$ 830,954	\$ 757,926
Excess (Deficiency) of revenues over expenses	-	116,476	116,476	73,028
Internally imposed restrictions <i>(Note 8)</i>	37,000	(37,000)	-	-
BALANCE, end of year	\$ 649,632	\$ 297,798	\$ 947,430	\$ 830,954

EDMONTON HERITAGE FESTIVAL ASSOCIATION

Statement of Operations

Year Ended October 31, 2010

	2010	2009
REVENUE		
Festival income (Note 10)	\$ 499,642	\$ 435,224
Advertising, sponsorship and donations	143,311	144,274
Grants (Note 9)	129,825	64,042
Investment income	43,232	33,804
Non-festival revenue	18,437	21,350
Casino revenue recognized (Note 7)	-	67,404
	<u>834,447</u>	<u>766,098</u>
EXPENSES		
Festival expenses (Note 11)	455,970	386,950
Administrative salaries and benefits	79,345	80,478
Publicity and advertising	64,742	110,544
Amortization of tents and equipment	32,729	30,718
Office and miscellaneous	20,923	20,976
Professional fees	17,143	12,615
Office rent	13,960	14,513
Automotive	10,406	8,443
Insurance	5,853	6,139
Telephone and internet	4,697	4,800
Expenditures in respect of non-festival tent rentals	4,396	5,516
Conventions, workshops and seminars	4,073	7,754
Meetings	3,186	3,083
Repairs and maintenance	548	541
	<u>717,971</u>	<u>693,070</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 116,476</u>	<u>\$ 73,028</u>

EDMONTON HERITAGE FESTIVAL ASSOCIATION

Statement of Cash Flows

Year Ended October 31, 2010

	2010	2009
OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 116,476	\$ 73,028
Items not affecting cash:		
Amortization of tents and equipment	32,729	30,718
Unrealized gains and losses on investments	-	(18,179)
	<u>149,205</u>	<u>85,567</u>
Changes in non-cash working capital:		
Accounts receivable and accrued	8,392	12,498
Prepaid expenses	912	(3,492)
Accounts payable and accrued	26,683	(10,394)
Deferred casino contributions	(10,894)	24,765
	<u>25,093</u>	<u>23,377</u>
Cash flow from operating activities	<u>174,298</u>	108,944
INVESTING ACTIVITIES		
Purchase of tents and equipment	(36,770)	(8,474)
Purchase of investments, net	(39,524)	(9,483)
Cash flow used by investing activities	<u>(76,294)</u>	(17,957)
INCREASE IN CASH FLOW	98,004	90,987
Cash - beginning of year	<u>292,181</u>	201,194
CASH - END OF YEAR	\$ 390,185	\$ 292,181
CASH CONSISTS OF:		
Cash in bank	\$ 78,557	\$ 44,218
Term deposits	<u>311,628</u>	<u>247,963</u>
	\$ 390,185	\$ 292,181

EDMONTON HERITAGE FESTIVAL ASSOCIATION

Notes to Financial Statements

Year Ended October 31, 2010

1. PURPOSE OF THE ORGANIZATION

The Edmonton Heritage Festival Association is a local organization who stages an annual festival in the City of Edmonton. The Association's mission is to promote public awareness, understanding, and appreciation for cultural diversity through an annual summer festival, as well as to provide education, events, programs, and/or projects on a year-round basis.

The Association is incorporated under the Society Act of Alberta as a not-for-profit organization and is a registered charity under the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

Investments

Investments are designated as held for trading and are recorded at fair value. Investment income includes interest income and realized and unrealized gains and losses.

Tents and equipment

Tents and equipment are recorded in the accounts at purchase cost less specifically related capital contributions (restricted grant proceeds) received. These assets are amortized over their estimated useful lives using the following rates and methods:

Tents	10 years	straight-line method
Equipment	3 to 10 years	straight-line method
Ticket booths and sheds	10 years	straight-line method
Motor vehicles	5 years	straight-line method
Signage	5 years	straight-line method

Revenue recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized in the statement of operations 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.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the board of directors 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 expenses during the period. Actual results could differ from and affect the results reported in these financial statements.

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EDMONTON HERITAGE FESTIVAL ASSOCIATION

Notes to Financial Statements

Year Ended October 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial instruments include cash, term deposits, accounts receivable and accounts payable. The carrying amounts of these financial instruments approximate their fair value due to their short-term maturity.

In the opinion of the board of directors, unless otherwise noted, the Association is not exposed to significant interest, currency, or credit risks arising from these financial instruments.

Contributed services

The Association received donated equipment and services toward the operation the current year's festival. Volunteers also contribute approximately 6,000 hours per year to assist the Association in carrying out the festival and related activities. Because of the difficulty of determining the fair value of the contributed services and volunteer hours the revenues and related expenses have not been recognized in these financial statements.

Statement of cash flow

The statement of cash flow has been prepared using the indirect method.

3. CASH IN BANK

Included in cash in bank is casino funds of \$1,398 (2009 - \$1,398) which are restricted to expenditures approved by the Alberta Gaming and Liquor Commission pursuant to the Association's casino application.

4. TERM DEPOSITS

The term deposits are presented at cost and are denominated in Canadian dollars with effective interest rates ranging from .30% to 2.25% and mature within 12 months of the date they are issued. Included in term deposits is casino funds of \$40,426 (2009-\$40,000) which are restricted to expenditures approved by the Alberta Gaming and Liquor Commission pursuant to the Association's casino application.

EDMONTON HERITAGE FESTIVAL ASSOCIATION

Notes to Financial Statements

Year Ended October 31, 2010

5. TENTS AND EQUIPMENT

	Cost	Accumulated amortization	2010 Net book value
Tents	\$ 529,185	\$ 386,431	\$ 142,754
Equipment	155,813	146,359	9,454
Ticket booths and sheds	77,755	66,013	11,742
Motor vehicles	7,795	3,898	3,897
Signage	3,608	3,247	361
	<u>\$ 774,156</u>	<u>\$ 605,948</u>	<u>\$ 168,208</u>

	Cost	Accumulated amortization	2009 Net book value
Tents	\$ 497,252	\$ 365,742	\$ 131,510
Equipment	154,972	143,436	11,536
Ticket booths and sheds	77,755	63,171	14,584
Motor vehicles	7,795	2,339	5,456
Signage	3,608	2,526	1,082
	<u>\$ 741,382</u>	<u>\$ 577,214</u>	<u>\$ 164,168</u>

6. INVESTMENTS

	2010	2009
Heritage Festival Fund (administered by Edmonton Community Foundation)	<u>\$ 449,286</u>	<u>\$ 409,762</u>

The Edmonton Community Foundation is a not-for-profit organization that assembles and administers permanent pools of capital so the returns can be perpetually reinvested. The foundation complements and supports other charitable agencies.

EDMONTON HERITAGE FESTIVAL ASSOCIATION

Notes to Financial Statements

Year Ended October 31, 2010

7. DEFERRED REVENUE

The Alberta Gaming and Liquor Commission approves and issues licences for casino events and the proceeds must be used on approved expenditures as stated in the casino application.

Unearned revenue is comprised of funds received for tent rentals, registration fee and advertising for the next years festival.

	2009	Funds received or receivable	Recognized as revenue during the year	2010
Casino	\$ 41,398	\$ 426	\$ -	\$ 41,824
Unearned revenue	17,620	6,300	(17,620)	6,300
	<u>\$ 59,018</u>	<u>\$ 6,726</u>	<u>\$ (17,620)</u>	<u>\$ 48,124</u>

8. NET ASSETS INTERNALLY RESTRICTED

The Board of Directors of the Association has determined that it is necessary to provide for the future replacement of its tents and to have sufficient resources to ensure the continued operation of the festival. All transfers into or out of net assets internally restricted require the approval of the Board of Directors.

The net assets internally restricted for subsequent festival expenses is an amount based upon the estimated expenditures required to operate the festival in the coming year.

The net assets internally restricted for tent replacement is accounted for as a transfer from unrestricted net assets to internally restricted net assets. The Directors resolved to provide \$37,000 per year from operations for such replacement provided that there are sufficient unrestricted net assets available. Management has estimated that the replacement value of the Association's tent canopies and walls is in excess of \$647,000.

	2010	2009
Internally restricted for subsequent year festival expenses	\$ 370,000	\$ 370,000
Internally restricted for tent replacement	279,632	242,632
	<u>\$ 649,632</u>	<u>\$ 612,632</u>

EDMONTON HERITAGE FESTIVAL ASSOCIATION

Notes to Financial Statements

Year Ended October 31, 2010

9. GRANTS

	<u>2010</u>	<u>2009</u>
City of Edmonton	\$ 55,000	\$ 55,100
Alberta Lottery Fund	43,325	8,942
Canadian Heritage	31,500	-
	<u>\$ 129,825</u>	<u>\$ 64,042</u>

10. FESTIVAL INCOME

Festival income is comprised of the following:

	<u>2010</u>	<u>2009</u>
Food ticket commissions	\$ 207,531	\$ 178,139
Tent charges and participation fees	148,290	146,321
Festival service fees	63,602	47,944
Biodegradables	50,489	31,860
50/50 raffle	17,202	18,830
Miscellaneous	12,528	12,130
	<u>\$ 499,642</u>	<u>\$ 435,224</u>

11. FESTIVAL EXPENSES

Festival expenses are comprised of the following:

	<u>2010</u>	<u>2009</u>
Services	\$ 136,481	\$ 110,781
Site labour and benefits	107,183	103,438
Biodegradables	51,896	32,486
Volunteer costs and awards	38,100	34,405
Food ticket expenses	29,604	24,957
Rentals and transportation	23,172	18,967
Shows and entertainment	17,917	17,616
50/50 raffle expenses	17,227	15,974
Insurance	12,478	12,414
Goods and services tax	9,875	8,959
Tent repairs	5,361	98
Receptions	4,911	4,847
Miscellaneous	1,765	2,008
	<u>\$ 455,970</u>	<u>\$ 386,950</u>

EDMONTON HERITAGE FESTIVAL ASSOCIATION

Notes to Financial Statements

Year Ended October 31, 2010

12. CAPITAL DISCLOSURES

The Association defines capital as the sum of unrestricted net assets and internally restricted net assets. In managing capital, the Association focuses on liquid resources available for operations. The Association's objective is to have sufficient liquid resources to continue operating despite adverse events with financial consequences and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget.

The Association has internally restricted net assets for the future replacement of its tents and to have sufficient resources to ensure the continued operation of the festival. (Note 8)

As at October 31, 2010, the Association has met its objective of having sufficient liquid resources to meet its current obligations.

13. COMMITMENTS

The Association is committed to monthly lease payments for office premises. The lease expires on March 31, 2016.

2011	\$	15,596
2012		17,600
2013		17,600
2014		19,467
2015		20,800
Thereafter		<u>8,667</u>
	\$	<u>99,730</u>
