

**EDMONTON HERITAGE FESTIVAL
ASSOCIATION**

Financial Statements

Year Ended October 31, 2008

EDMONTON HERITAGE FESTIVAL ASSOCIATION

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Year Ended October 31, 2008

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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, 2008 and the statements of operations, changes in net assets and 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 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, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



CHARTERED ACCOUNTANTS

Edmonton, Alberta
December 10, 2008

EDMONTON HERITAGE FESTIVAL ASSOCIATION

Statement of Financial Position

October 31, 2008

	2008	2007
		<i>(Restated - Note 2)</i>
ASSETS		
CURRENT		
Cash in bank <i>(Note 4)</i>	\$ 94,287	\$ 60,768
Term deposits <i>(Note 5)</i>	106,907	107,476
Accounts receivable and accrued	39,104	64,013
Prepaid expenses	13,864	12,327
	<u>254,162</u>	244,584
TENTS AND EQUIPMENT <i>(Note 6)</i>	186,412	178,805
INVESTMENTS <i>(Note 7)</i>	382,101	382,036
	<u>\$ 822,675</u>	<u>\$ 805,425</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued	\$ 30,496	\$ 63,918
Deferred Revenue <i>(Note 8)</i>	34,253	39,558
	<u>64,749</u>	103,476
NET ASSETS		
Internally restricted <i>(Note 9)</i>	575,632	538,632
Unrestricted	182,294	163,317
	<u>757,926</u>	701,949
	<u>\$ 822,675</u>	<u>\$ 805,425</u>

ON BEHALF OF THE BOARD

Director

Director

EDMONTON HERITAGE FESTIVAL ASSOCIATION**Statement of Changes in Net Assets****Year Ended October 31, 2008**

	2008			2007
	Internally Restricted	Unrestricted	Total	<i>(Restated Note 2)</i> Total
BALANCE, beginning of year	\$ 538,632	\$ 163,317	\$ 701,949	\$ 579,175
Excess (Deficiency) of revenues over expenses	-	64,229	64,229	122,774
Unrealized loss on investments <i>(Note 1)</i>		(8,252)	(8,252)	
Internally imposed restrictions <i>(Note 6)</i>	37,000	(37,000)	-	-
BALANCE, end of year	\$ 575,632	\$ 182,294	\$ 757,926	\$ 701,949

EDMONTON HERITAGE FESTIVAL ASSOCIATION

Statement of Operations

Year Ended October 31, 2008

	2008	2007 <i>(Restated - Note 2)</i>
REVENUE		
Festival income <i>(Note 11)</i>	\$ 477,527	\$ 338,526
Advertising, sponsorship and donations	164,182	123,612
Grants <i>(Note 10)</i>	75,000	118,430
Non-festival revenue	39,945	52,478
Investment income	12,563	37,860
Bad debts (recovery)	4,000	-
Casino revenue recognized <i>(Note 8)</i>	476	79,006
	<u>773,693</u>	<u>749,912</u>
EXPENSES		
Festival expenses <i>(Note 12)</i>	427,413	334,566
Publicity and advertising	89,354	76,335
Administrative salaries and benefits	76,817	65,157
Amortization of tents and equipment	25,599	19,286
Office and miscellaneous	21,947	19,845
Professional fees	17,610	18,460
Office rent	14,745	14,991
Expenditures in respect of non-festival tent rentals	9,718	26,540
Automotive	7,567	5,735
Insurance	5,690	1,181
Telephone and internet	5,150	4,745
Conventions, workshops and seminars	5,093	2,376
Meetings	3,211	4,929
Repairs and maintenance	767	-
Bad debts (recovery)	-	4,142
Donations	-	10,000
	<u>710,681</u>	<u>608,288</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS	<u>63,012</u>	<u>141,624</u>
OTHER INCOME (EXPENSES)		
Site upgrades, net	1,217	(20,321)
Insurance proceeds	-	1,471
	<u>1,217</u>	<u>(18,850)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ 64,229</u>	<u>\$ 122,774</u>

EDMONTON HERITAGE FESTIVAL ASSOCIATION

Statement of Cash Flows

Year Ended October 31, 2008

	2008	2007
		<i>(Restated - Note 2)</i>
CASH PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES		
Excess (Deficiency) of revenues over expenses	\$ 64,229	\$ 122,774
Item not affecting cash:		
Amortization of tents and equipment	<u>25,599</u>	19,286
	<u>89,828</u>	<u>142,060</u>
Changes in current operating assets and liabilities:		
Accounts receivable and accrued	24,909	(23,943)
Prepaid expenses	(1,537)	580
Accounts payable and accrued	(33,422)	24,435
Deferred revenue	<u>(5,305)</u>	<u>(48,646)</u>
	<u>(15,355)</u>	<u>(47,574)</u>
	<u>74,473</u>	<u>94,486</u>
INVESTING ACTIVITIES		
Purchase of tents and equipment	(33,207)	(76,175)
Purchase of investments	<u>(8,316)</u>	<u>(33,570)</u>
	<u>(41,523)</u>	<u>(109,745)</u>
INCREASE (DECREASE) IN CASH	32,950	(15,259)
CASH, beginning of year	<u>168,244</u>	<u>183,503</u>
CASH, end of year	<u>\$ 201,194</u>	<u>\$ 168,244</u>
CASH CONSISTS OF:		
Cash in bank	\$ 94,287	\$ 60,768
Term deposits	<u>106,907</u>	<u>107,476</u>
	<u>\$ 201,194</u>	<u>\$ 168,244</u>

EDMONTON HERITAGE FESTIVAL ASSOCIATION

Notes to Financial Statements

Year Ended October 31, 2008

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. RESTATEMENT

During the preparation of the financial statements for the year ended October 31, 2008, the Association determined that an amount originally recorded as a contribution to an endowment fund in the October 31, 2007 financial statements was in fact a donation to an endowment fund controlled by Edmonton Community Foundation. This error resulted in an overstatement of investments and an overstatement of net assets and an overstatement of revenues over expenditures. The Association has amended its financial statements for the year ended October 31, 2007 as follows:

	Previously Reported	Adjustments	Amended
Investments	\$ 393,116	\$ (11,080)	\$ 382,036
Endowment fund - net assets	(11,080)	11,080	-
Donation expense	-	10,000	10,000
Excess revenues over expenditures	132,774	(10,000)	122,774

3. SIGNIFICANT ACCOUNTING POLICIES

Investments

Investments are recorded at the lower of cost and market value.

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

(continues)

EDMONTON HERITAGE FESTIVAL ASSOCIATION

Notes to Financial Statements

Year Ended October 31, 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Measurement uncertainty

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.

Financial instruments

During the year the Association adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Sections 3855, Financial Instruments - Recognition and Measurement and Section 3861, Financial Instruments - Disclosure and Presentation to account for its financial assets and liabilities. These sections require that all non-derivative financial assets and liabilities be measured at fair value with the exception of (i) loans and receivables and held-to-maturity investments, which should be measured at amortized cost; and (ii) investments in equity instruments that do not have a quoted market price, which should be measured at cost, other such investments are classified as held for trading.

Subsequent measurement and changes in fair value will depend on initial classification. Held for trading assets and liabilities are measured at fair value and the changes in fair value are recorded as an adjustment to the statement of changes in net assets. Available-for-sale investments are measured at fair value with changes in fair value recorded in the statement of changes in net assets.

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.

The adoption of Section 3855, Financial Instruments has been applied prospectively.

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.

4. CASH IN BANK

Included in cash in bank is casino funds of \$28,667 (2007 - \$29,143) 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, 2008

5. TERM DEPOSITS

The term deposits bear interest at 2.9% and have varying maturity dates in August 2009.

6. TENTS AND EQUIPMENT

	Cost	Accumulated amortization	2008 Net book value
Tents	\$ 497,252	\$ 346,649	\$ 150,603
Equipment	148,483	136,834	11,649
Ticket booths and sheds	75,770	60,429	15,341
Motor vehicles	7,795	780	7,015
Signage	3,608	1,804	1,804
	<u>\$ 732,908</u>	<u>\$ 546,496</u>	<u>\$ 186,412</u>

	Cost	Accumulated amortization	2007 Net book value
Tents	\$ 481,302	\$ 328,354	\$ 152,948
Equipment	139,021	133,674	5,347
Ticket booths and sheds	75,770	57,786	17,984
Signage	3,608	1,082	2,526
	<u>\$ 699,701</u>	<u>\$ 520,896</u>	<u>\$ 178,805</u>

7. INVESTMENT

	2008	2007
Heritage Festival Fund (administered by Edmonton Community Foundation)	<u>\$ 382,101</u>	<u>\$ 382,036</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 in the Edmonton. The foundation complements and supports other charitable agencies.

EDMONTON HERITAGE FESTIVAL ASSOCIATION

Notes to Financial Statements

Year Ended October 31, 2008

8. 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.

	2007	Funds received or receivable	Recognized as revenue during the year	2008
Casino	\$ 29,143	\$ -	\$ (476)	\$ 28,667
Unearned revenue	10,415	5,586	(10,415)	5,586
	<u>\$ 39,558</u>	<u>\$ 5,586</u>	<u>\$ (10,891)</u>	<u>\$ 34,253</u>

9. 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 \$644,000.

	2008	2007
Internally restricted for subsequent year festival expenses	\$ 370,000	\$ 370,000
Internally restricted for tent replacement	205,632	168,632
	<u>\$ 575,632</u>	<u>\$ 538,632</u>

EDMONTON HERITAGE FESTIVAL ASSOCIATION

Notes to Financial Statements

Year Ended October 31, 2008

10. GRANTS

	<u>2008</u>	<u>2007</u>
City of Edmonton	\$ 55,000	\$ 55,000
Canadian Heritage	20,000	-
Alberta Lottery Fund	-	46,646
Edmonton Community Foundation	-	16,784
	<u>\$ 75,000</u>	<u>\$ 118,430</u>

11. FESTIVAL INCOME

Festival income is comprised of the following:

	<u>2008</u>	<u>2007</u>
Tent charges and participation fees	\$ 143,738	\$ 133,003
Food ticket commissions	191,973	123,372
Festival service fees	58,060	50,846
50/50 raffle	17,957	18,514
Miscellaneous	13,952	12,791
Concert for Canada	33,086	-
Biodegradeables	18,761	-
	<u>\$ 477,527</u>	<u>\$ 338,526</u>

EDMONTON HERITAGE FESTIVAL ASSOCIATION

Notes to Financial Statements

Year Ended October 31, 2008

12. FESTIVAL EXPENSES

Festival expenses are comprised of the following:

	<u>2008</u>	<u>2007</u>
Services	\$ 109,492	\$ 102,133
Site labour and benefits	50,766	48,292
Site and volunteer management	47,154	37,155
Concert for Canada	41,501	-
Volunteer costs and awards	32,180	24,900
Shows and entertainment	24,871	21,294
Biodegradeables	23,967	-
Food ticket expenses	21,915	25,897
Rentals and transportation	21,448	16,600
50/50 raffle expenses	14,486	14,195
Insurance	12,475	16,819
Goods and services tax	11,061	11,657
Receptions	9,101	4,800
Tent repairs	6,140	7,076
Miscellaneous	856	3,748
	<u>\$ 427,413</u>	<u>\$ 334,566</u>

13. COMMITMENTS

The Association is committed to annual lease payments of \$12,792 for office premises. The lease expires on March 31, 2011.
