

**CITY CENTRE DEVELOPMENT  
AGENCY**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**



CHARTERED  
ACCOUNTANTS LLP

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# CITY CENTRE DEVELOPMENT AGENCY

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
City Centre Development Agency

We have audited the accompanying financial statements of City Centre Development Agency, which comprise the Statement of Financial Position as at December 31, 2017, and the Statements of Operations, Changes in Net Assets and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### *Basis for Qualified Opinion*

The City Centre Development Agency derives a material amount of revenue from donations and fundraising activities. Due to the nature of these transactions, we were unable to obtain sufficient, appropriate audit evidence about the completeness of the reported amounts for donation and fundraising revenue, revenue in excess of expenditure and changes to net assets because there is no direct relationship between assets or services given up in exchange for amounts received or receivable. Consequently, we were unable to determine whether any adjustment to these amounts were necessary.

**INDEPENDENT AUDITOR'S REPORT, continued**

*Qualified Opinion*

Except as noted in the above paragraph, in our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Medicine Hat, Alberta  
April 10, 2018

*EBT*

CHARTERED ACCOUNTANTS LLP

# CITY CENTRE DEVELOPMENT AGENCY

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

### ASSETS

	2017	2016
<b>CURRENT ASSETS</b>		
Cash (Note 2)	\$ 54,484	\$ 16,603
Short-term investment (Note 3)	5,000	5,000
Accounts receivable	2,568	2,275
Inventory	1,859	1,033
Prepaid expenses (Note 4)	8,518	11,242
GST receivable	-	735
	72,429	36,888
<b>CAPITAL ASSETS (Note 5)</b>	279,248	299,347
	<b>\$ 351,677</b>	<b>\$ 336,235</b>

### LIABILITIES

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 18,139	\$ 21,700
Deferred revenue (Note 7)	418	400
GST payable	490	-
Current portion of callable debt (Note 8)	20,000	20,000
	39,047	42,100
Current liabilities before callable debt	80,000	100,000
Callable debt (Note 8)		
	119,047	142,100
<b>UNAMORTIZED CAPITAL CONTRIBUTIONS (Note 9)</b>	81,248	91,459
	200,295	233,559

### NET ASSETS

<b>UNRESTRICTED</b>	(46,617)	(105,210)
<b>INVESTED IN CAPITAL ASSETS</b>	197,999	207,886
	151,382	102,676
	<b>\$ 351,677</b>	<b>\$ 336,235</b>

### COMMITMENTS (Note 10)

On behalf of the Board

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

The accompanying notes are an integral part of the financial statements.

# CITY CENTRE DEVELOPMENT AGENCY

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2017

	<b>2017 Budget (Unaudited)</b>	<b>2017 Actual</b>	<b>2016 Actual</b>
<b>REVENUES</b>			
Tax levy	\$ 121,000	\$ 121,000	\$ 121,000
City grant	100,000	100,000	100,000
Ticket sales	60,000	66,404	54,054
Concession income	50,000	61,957	43,996
Promotional events	26,700	25,101	24,085
Rental	22,000	22,550	11,938
Park contract	10,400	10,200	9,000
Donations	6,500	3,496	4,968
Screen advertising	700	340	350
Interest income	-	95	-
Amortization of deferred capital contributions	-	10,211	12,228
	397,300	421,354	381,619
<b>EXPENDITURES (Schedule 1)</b>	<b>372,300</b>	<b>372,648</b>	<b>348,516</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$ 25,000</b>	<b>\$ 48,706</b>	<b>\$ 33,103</b>

The accompanying notes are an integral part of the financial statements.

# CITY CENTRE DEVELOPMENT AGENCY

## STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2017

<b>2017</b>			
	<b>Total</b>	<b>Unrestricted</b>	<b>Invested in capital assets</b>
<b>BALANCE, beginning of year</b>	\$ 102,676	\$ (105,210)	\$ 207,886
Excess of revenues over expenditures	48,706	48,706	-
Amortization	-	20,098	(20,098)
Amortization of deferred capital contributions	-	(10,211)	10,211
<b>BALANCE, end of year</b>	<b>\$ 151,382</b>	<b>\$ (46,617)</b>	<b>\$ 197,999</b>
<b>2016</b>			
	<b>Total</b>	<b>Unrestricted</b>	<b>Invested in capital assets</b>
<b>BALANCE, beginning of year</b>	\$ 69,573	\$ (149,029)	\$ 218,602
Excess of revenues over expenditures	33,103	33,103	-
Amortization	-	22,944	(22,944)
Amortization of deferred capital contributions	-	(12,228)	12,228
<b>BALANCE, end of year</b>	<b>\$ 102,676</b>	<b>\$ (105,210)</b>	<b>\$ 207,886</b>

The accompanying notes are an integral part of the financial statements.

# CITY CENTRE DEVELOPMENT AGENCY

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
<b>OPERATING ACTIVITIES</b>		
Excess of revenues over expenditures	\$ 48,706	\$ 33,103
Adjustments for		
Amortization of capital assets	20,098	22,944
Amortization of deferred capital contributions	(10,211)	(12,228)
	58,593	43,819
Changes in non-cash working capital		
Accounts receivable	(293)	31,084
Inventory	(826)	828
Prepaid expenses	2,724	(2,149)
GST	1,225	3,929
Accounts payable and accrued liabilities	(3,560)	(72,739)
Deferred revenue	18	(851)
	57,881	3,921
<b>FINANCING ACTIVITY</b>		
Repayment of callable debt	(20,000)	(20,000)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	37,881	(16,079)
<b>CASH, beginning of year</b>	21,603	37,682
<b>CASH, end of year</b>	\$ 59,484	\$ 21,603
<b>CASH AND CASH EQUIVALENTS CONSISTS OF:</b>		
Cash	\$ 54,484	\$ 16,603
Short-term investment	5,000	5,000
	\$ 59,484	\$ 21,603

The accompanying notes are an integral part of the financial statements.



# CITY CENTRE DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

### NATURE OF BUSINESS

City Centre Development Agency ("the agency") is a not-for-profit organization incorporated under the Municipal Government Act of the Province of Alberta and is incorporated under By-Law 2365 of the City of Medicine Hat. Its purposes are to improve, beautify and maintain the property in the City Centre Development Area, to develop, improve and maintain public parking, and to promote the downtown as a business or shopping area. It also owns and operates the Monarch Theatre.

### 1. SIGNIFICANT ACCOUNTING POLICIES

The organization applies the Canadian accounting standards for not-for-profit organizations.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and a short-term investment with maturities of twelve months or less from their date of acquisition, which are readily convertible into a known amount of cash, and are subject to an insignificant risk to changes in their fair value.

#### SHORT-TERM INVESTMENT

Short-term investment is recorded at cost.

#### INVENTORY

Inventory is measured at the lower of cost and net realizable value, with cost being determined using the purchase cost method. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs.

#### CAPITAL ASSETS

Capital assets are recorded at cost. The organization provides for amortization using the following methods at rates designed to amortize the cost of the capital assets over their estimated useful lives. One half of the year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal. The annual amortization rates and methods are as follows:

Buildings	4% Declining balance
Office equipment	20% Declining balance
Furniture and fixtures	20% Declining balance
Vehicles	30% Straight-line
Computer equipment	30% Declining balance

#### INCOME TAXES

The agency is operated exclusively for not-for-profit purposes and accordingly will be exempt from income taxes as long as it complies with the requirements in section 149 of the Income Tax Act.

# CITY CENTRE DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

### 1. SIGNIFICANT ACCOUNTING POLICIES, *continued*

#### REVENUE RECOGNITION

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable when the amount to be received can be reasonably estimated and collection is reasonably assured.

The agency recognizes service revenue when the services have been provided in the normal course of operations. Revenue from the sale of goods is recognized when the goods have been provided to the customer.

#### CONTRIBUTED SERVICES

Directors, committee members, community members, and owners volunteer their time to assist in the corporation's activities. While these services benefit the corporation considerably, a reasonable estimate of their amount and fair value cannot be made and, accordingly, these contributed services are not recognized in the financial statements.

#### FINANCIAL INSTRUMENTS

The agency initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The agency subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, short-term investment and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, GST payable and callable debt.

#### MEASUREMENT UNCERTAINTY

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary they are reported in income in the period in which they become known. Estimates are used when accounting for certain items such as allowance for doubtful accounts, and the useful life of capital assets.

# CITY CENTRE DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

### 1. SIGNIFICANT ACCOUNTING POLICIES, continued

#### NET ASSETS INVESTED IN CAPITAL ASSETS

The agency has chosen to treat net assets invested in capital assets as a separate component of net assets.

### 2. CASH

	2017	2016
Balance per all bank statements	\$ 60,899	\$ 31,944
Cash on hand	2,927	927
Less outstanding cheques	(9,342)	(16,268)
Balance per financial statements	\$ 54,484	\$ 16,603

### 3. SHORT-TERM INVESTMENT

This guaranteed investment certificate earns interest at prime rate less 2.10%, and matures in April 2018. This guaranteed investment certificate is held as security by the Bank of Montreal.

### 4. PREPAID EXPENSES

	2017	2016
Prepaid interest on the Entre-Corp project	\$ 6,521	\$ 9,291
Prepaid insurance	1,347	1,301
Rental deposit	650	650
	\$ 8,518	\$ 11,242

# CITY CENTRE DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

### 5. CAPITAL ASSETS

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>2017 Net</b>	<b>2016 Net</b>
Buildings	\$ 334,100	\$ 89,385	\$ 244,715	\$ 254,912
Office equipment	1,645	1,182	463	579
Furniture and fixtures	91,827	57,859	33,968	42,460
Vehicles	5,000	5,000	-	1,250
Computer equipment	1,022	920	102	146
	<b>\$ 433,594</b>	<b>\$ 154,346</b>	<b>\$ 279,248</b>	<b>\$ 299,347</b>

### 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<b>2017</b>	<b>2016</b>
Accounts payable and accrued liabilities	\$ 14,805	\$ 18,300
Gift cards liability	1,064	1,482
Source deductions payable	2,270	1,918
	<b>\$ 18,139</b>	<b>\$ 21,700</b>

### 7. DEFERRED REVENUE

	<b>2017</b>	<b>2016</b>
Rental revenue	\$ 418	\$ 400

### 8. CALLABLE DEBT

	<b>2017</b>	<b>2016</b>
City of Medicine Hat demand loan, repayable in annual interest-free instalments of \$20,000, unless an event of default occurs, secured as listed below, due in 2022	\$ 100,000	\$ 120,000
Less current portion	20,000	20,000
	<b>\$ 80,000</b>	<b>\$ 100,000</b>

# CITY CENTRE DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

### 8. CALLABLE DEBT, continued

ASNPO's financial instrument policy states that debt should be valued at fair market value. Fair value is determined using an interest rate that is regularly available to the organization on similar debt instruments. The debt obligation received from the City of Medicine Hat is interest-free until default as compared to a prime rate when the loan was originally received of 3.00%. This creates a fair market value differential. The chart below shows the unamortized fair market value differential and the ending loan balances over the remaining term of the loan calculated in accordance with ASNPO.

	<b>Fair value differential</b>	<b>Ending amortized fair value balance</b>
December 31, 2016	\$ 11,656	\$ 108,344
December 31, 2017	8,406	91,594
December 31, 2018	5,658	74,342
December 31, 2019	3,428	56,572
December 31, 2020	1,731	38,269
December 31, 2021	583	19,417
December 31, 2022	-	-
	<b>\$ 31,462</b>	<b>\$ 388,538</b>
Estimated principal repayments are as follows:		
2018	\$ 20,000	
2019	20,000	
2020	20,000	
2021	20,000	
2022	20,000	
	<b>\$ 100,000</b>	

Security pledges consists of a general security agreement providing the lender with a first fixed charge on machinery, equipment, tools, inventory and furnishings owned by the organization. The lender also has a second charge mortgage on the Monarch Theatre building.

# CITY CENTRE DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

### 9. UNAMORTIZED CAPITAL CONTRIBUTIONS

Unamortized capital contributions represent the unamortized portion of contributions received and spent on the purchase of capital assets.

	<b>2017</b>	<b>2016</b>
Opening balance	\$ 91,459	\$ 103,687
Amortization	(10,211)	(12,228)
	<b>\$ 81,248</b>	<b>\$ 91,459</b>

### 10. COMMITMENTS

The agency has entered into an agreement with Community Futures - Entre-Corp Business Development to pay the interest on leasehold improvement loans taken out by downtown Medicine Hat businesses. To date, 29 (2016 - 28) loans have been taken out by businesses. As of December 31, 2017, there are 12 loans still outstanding (2016 - 11). The interest is recorded in Note 4 as prepaid interest.

The organization renewed its one year rental lease with Basra Properties Inc. on July 1, 2017. As of December 31, 2017 the organization had 6 months remaining on the lease, totaling \$4,098.

# CITY CENTRE DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

### 11. RISK MANAGEMENT

#### **Credit risk**

The agency is exposed to credit risk on the accounts receivable from its customers. In order to reduce its credit risk, the agency has adopted credit policies which include the analysis of the financial position of its customers and the regular review of their credit limits.

#### **Liquidity risk**

Liquidity risk is the risk the agency will encounter difficulty meeting obligations associated with financial liabilities. The agency is exposed to this risk mainly with respect to its accounts payable, accrued liabilities, and callable debt. The agency meets short-term cash needs through the availability of borrowing facilities.

#### **Market risk**

Market risk is the risk that future cash flows will fluctuate because of changes in market prices. It is comprised of three types of risk: currency risk, interest rate risk, and other price risk.

As the agency's short-term investment bears interest at variable rates, the agency is exposed to interest cash flow risk, where the actual amount of interest paid will vary depending on the prime rate. The agency does not hold any financial instruments to mitigate this risk.

### 12. ECONOMIC DEPENDENCE

The agency's primary source of revenue is tax levies from business owners and grants that it receives from the City of Medicine Hat. The agency's ability to continue viable operations is dependent upon the continuing availability of these grants.

### 13. COMPARATIVE FIGURES

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

# CITY CENTRE DEVELOPMENT AGENCY

## SCHEDULE OF EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 Budget (Unaudited)	2017 Actual	2016 Actual
Wages	\$ 126,400	\$ 123,233	\$ 102,556
Streetscape wages	45,000	45,200	34,665
Events	37,700	33,353	38,002
Streetscape maintenance	20,000	16,922	13,535
Leasehold improvement grants	20,000	7,569	14,966
Audio/visual content	17,000	32,053	18,468
Professional fees	17,000	18,250	17,980
Food and beverages	15,000	15,252	14,059
Telephone and utilities	11,350	9,119	9,154
Advertising and promotion	10,500	10,540	10,516
Repairs and maintenance	10,000	2,658	7,350
Insurance	9,500	10,983	10,753
Office	9,300	6,372	10,123
Rent	7,800	7,800	7,715
Supplies	4,630	4,595	3,494
Automotive	4,500	4,595	4,516
Interest and bank charges	3,890	2,949	3,235
Benefits	1,300	368	3,709
Board development	930	499	371
Memberships, dues and licenses	500	240	405
Amortization	-	20,098	22,944
	\$ 372,300	\$ 372,648	\$ 348,516