

**RED DEER & DISTRICT CHAMBER OF
COMMERCE**

Financial Statements

Year Ended June 30, 2022



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Independent Auditor's Report

To the Members of Red Deer & District Chamber of Commerce

Opinion

We have audited the financial statements of Red Deer & District Chamber of Commerce ("the Chamber"), which comprise the statement of financial position as at June 30, 2022, and the statement of operations, statement of changes in net assets and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Chamber as at June 30, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Chamber in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Chamber's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Chamber or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Chamber's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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Independent Auditor's Report (continued)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Chamber's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Chamber's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Chamber to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Red Deer, Alberta
October 5, 2022

BDO Canada LLP
Chartered Professional Accountants

RED DEER & DISTRICT CHAMBER OF COMMERCE
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Year Ended June 30, 2022

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RED DEER & DISTRICT CHAMBER OF COMMERCE
Statement of Financial Position
June 30, 2022

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 550,850	\$ 403,386
Accounts receivable	19,923	171,157
Prepaid expenses	22,229	15,438
	<u>593,002</u>	589,981
Term deposits (Note 3)	858,624	854,428
Trade show net asset (Note 4)	20,000	-
Capital assets (Note 5)	65,998	58,036
	<u>\$ 1,537,624</u>	<u>\$ 1,502,445</u>
LIABILITIES		
Current liabilities		
Accounts payable and accruals	\$ 13,729	\$ 8,675
Wages payable	51,048	80,002
Callable debt due in one year (Note 7)	49,887	52,239
Deferred revenue (Note 8)	99,061	241,452
	<u>213,725</u>	382,368
Callable debt due thereafter (Note 7)	143,941	193,569
	<u>357,666</u>	575,937
Long term debt (Note 9)	40,000	40,000
Trade show net liability (Note 4)	-	163,861
	<u>397,666</u>	779,798
NET ASSETS		
Invested in capital assets	65,998	58,036
Internally restricted (Note 10)	896,461	892,265
Unrestricted	177,499	(227,654)
	<u>1,139,958</u>	722,647
	<u>\$ 1,537,624</u>	<u>\$ 1,502,445</u>

ON BEHALF OF THE BOARD


 _____ Director


 _____ Director

See notes to financial statements

RED DEER & DISTRICT CHAMBER OF COMMERCE**Statement of Operations****For the Year Ended June 30, 2022**

	2022	2021
Revenues		
Gain from Agri-Trade Joint Venture (Note 4)	\$ 723,655	\$ -
Membership fees	210,253	208,576
Events	139,260	65,311
Trade show - Agri-Trade - admin fees	70,000	70,000
Administrative	67,525	62,396
Canadian Emergency Wage Subsidy	25,240	225,547
Investment income	6,384	16,680
	<u>1,242,317</u>	<u>648,510</u>
Expenses		
Salaries and wages	529,583	567,976
Events	86,178	60,138
Administrative	150,955	101,806
Building occupancy costs	38,213	37,548
Bank charges	12,832	12,761
Bad debts	9,795	15,394
Amortization on capital assets	6,635	18,526
Conventions/conferences	2,134	49
Loss from Agri-Trade Joint Venture	-	183,861
	<u>836,325</u>	<u>998,059</u>
Excess (deficiency) of revenues over expenses from operations	<u>405,992</u>	<u>(349,549)</u>
Other income (expenses)		
Love Local grant	158,000	-
Accessibility grant	31,843	-
Love Local grant expenses	(151,958)	-
Accessibility grant expenses	(31,843)	-
Government incentive	-	10,000
	<u>6,042</u>	<u>10,000</u>
Excess (deficiency) of revenues over expenses	<u>\$ 412,034</u>	<u>\$ (339,549)</u>

See notes to financial statements

RED DEER & DISTRICT CHAMBER OF COMMERCE
Statement of Changes in Net Assets
Year Ended June 30, 2022

	Unrestricted Fund	Internally Restricted Fund	Invested in Capital Assets	2022	2021
NET ASSETS -					
BEGINNING OF YEAR	\$ (227,654)	\$ 892,265	\$ 58,036	\$ 722,647	\$ 1,062,196
Excess (deficiency) of revenues over expenses	414,473	4,196	(6,635)	412,034	(339,549)
Transfer for capital replacement fund	-	-	-	-	-
Purchase of capital assets	(9,320)	-	14,597	5,277	-
NET ASSETS - END OF YEAR	\$ 177,499	\$ 896,461	\$ 65,998	\$ 1,139,958	\$ 722,647

See notes to financial statements

RED DEER & DISTRICT CHAMBER OF COMMERCE**Statement of Cash Flow****Year Ended June 30, 2022**

	2022	2021
OPERATING ACTIVITIES		
Cash received from members and other	\$ 1,234,509	\$ 633,287
Cash paid for salaries and benefits	(558,538)	(571,228)
Cash paid for materials and services	(459,677)	(513,471)
Interest received	6,384	26,926
Interest paid	(12,832)	(12,761)
Cash flow from (used by) operating activities	<u>209,846</u>	<u>(437,247)</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(14,597)	-
Reinvestment of term deposits	4,196	14,302
Cash flow from (used by) investing activities	<u>(10,401)</u>	<u>14,302</u>
FINANCING ACTIVITIES		
Proceeds from financing	-	293,000
Repayment of financing	(51,981)	(27,192)
Cash flow from (used by) financing activities	<u>(51,981)</u>	<u>265,808</u>
INCREASE (DECREASE) IN CASH FLOW	147,464	(157,137)
Cash and cash equivalents - beginning of year	403,386	560,523
Cash and cash equivalents - end of year	<u>\$ 550,850</u>	<u>\$ 403,386</u>

See notes to financial statements

RED DEER & DISTRICT CHAMBER OF COMMERCE

Notes to Financial Statements

Year Ended June 30, 2022

1. Nature of Operations

Red Deer & District Chamber of Commerce ("Chamber") is registered under the Federal Boards of Trade Act, Section 42, and is exempt from income tax under Section 149(1)(e) of the Income Tax Act. The objectives of the Chamber are as follows:

To advance the civic, commercial, industrial and agricultural progress of the City of Red Deer and District.

To promote integrity, good faith, just and equitable principles in business.

To work for efficient administration and sound legislation at all levels of Government.

To make available sources of information to its members respecting matters affecting business, industry and agriculture.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The significant policies are detailed as follows:

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Significant areas requiring the use of estimates include: allowance for doubtful accounts and estimated useful lives of capital assets. Actual results may differ from management's best estimates as additional information becomes available in the future.

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, bank balances and term deposits with a maturity date of less than 3 months at acquisition, which are highly liquid and readily convertible to cash. Cash equivalents exclude amounts designated as internally restricted to fund certain net asset balances.

Government assistance

Government assistance for acquiring capital assets and related to expenses is recorded as deferred government assistance and is amortized on the same basis and according to the same rates as the related capital assets or to income as eligible expenditures are incurred. Government assistance for current expenses is recorded as a reduction of the related expenditures. Government assistance for acquiring capital assets is recorded as a reduction of the cost of related assets.

Investments

Investments subject to significant influence are accounted for using the equity method. Under the equity method, the Chamber's pro-rata share of earnings is recorded as income and added to its carrying value of the investment shown on the statement of financial position. Advances received are considered a return of capital, and are accordingly deducted from the carrying value of the investment.

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RED DEER & DISTRICT CHAMBER OF COMMERCE

Notes to Financial Statements

Year Ended June 30, 2022

2. Significant Accounting Policies (*continued*)

Capital assets

Donated land was recorded at its fair value when it was contributed.

Capital assets are recorded at cost. Amortization is provided using the straight-line method at rates designed to amortize the cost of the capital assets over their estimated useful lives. Amortization rates are as follows:

Building	20 years
Computer equipment	3 years
Furniture, fixture and equipment	10 years

A full year of amortization is recorded in the year of acquisition and none is recorded in the year of disposition.

Contributed goods and services

Contributed assets and services are recognized when the fair value can be reasonably estimated.

Financial instruments

The Chamber measures its financial instruments initially at fair value and subsequently at amortized cost, and tested for impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed for those items re-measured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Revenue recognition

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

Investment income is recognized as revenue when earned.

Membership fees are deferred and taken into income evenly over the term of the membership.

Administrative, trade shows and events revenue is recognized as the services are provided.

RED DEER & DISTRICT CHAMBER OF COMMERCE

Notes to Financial Statements

Year Ended June 30, 2022

3. Cash, Restricted Cash and Restricted Term Deposits

The internally restricted funds of \$896,461 is made up of \$858,624 in term deposits and \$37,837 in cash and cash equivalents.

The term deposits earns interest between 0.70% - 1.60% (2021 - 0.25% - 0.50%) and mature between August 2022 and August 2023.

Certain cash and term deposit balances have been restricted by the board to be used for internally restricted net assets and future contingencies and as such, have been classified as long-term.

The Chamber has available an overdraft agreement with Servus Credit Union which can be drawn to a maximum of \$300,000. The overdraft bears interest at the bank's prime lending rate plus 0.5% per annum, effectively 2022 - 4.20% (2021 - 2.95%). The balance currently drawn for 2022 is \$Nil (2021 - \$Nil)

4. Investment in Agri-Trade

	<u>2022</u>	<u>2021</u>
Equity - beginning of the year	\$ (163,861)	\$ 20,000
Share of Agri-Trade net income	723,655	(183,861)
Less drawing from Agri-Trade	(539,794)	
Equity - end of the year	<u>\$ 20,000</u>	<u>\$ (163,861)</u>

The Chamber is economically dependent on the operations of Agri-Trade to maintain its own operations. The Chamber is a joint venturer of Agri-Trade, as such any losses from the joint venture will accrue to the Chamber. As a result, in the prior year the investment account was recorded in a negative position. The current year opening equity was funded through the realization of the Agri-Trade assets, deferred revenue and ongoing Agri-Trade operations. The prior year total share of Agri-Trade Net Income was reduced as a result of funding the prior year loss.

The Agri-Trade investment is held together by a joint venture agreement under the corporation 2180581 Alberta Ltd. The Red Deer & District Chamber of Commerce and The Westerner Exposition Association, both hold a 50% ownership interest in 2180581 Alberta Ltd.

5. Capital Assets

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	\$ 7,979	\$ -	\$ 7,979	\$ 7,979
Buildings	640,683	586,952	53,731	47,501
Computer equipment	57,932	56,354	1,578	-
Furniture and fixtures	78,446	75,736	2,710	2,556
	<u>\$ 785,040</u>	<u>\$ 719,042</u>	<u>\$ 65,998</u>	<u>\$ 58,036</u>

RED DEER & DISTRICT CHAMBER OF COMMERCE

Notes to Financial Statements

Year Ended June 30, 2022

6. Bank Indebtedness

The Chamber has available an overdraft agreement with Servus Credit Union which can be drawn to a maximum of \$300,000. The overdraft bears interest at the bank's prime lending rate plus 0.5% per annum (effective rate of 4.20% at year end).

The overdraft is secured by an Account Set Off agreement allowing interests to be charged through deposit held in Servus Credit Union with a balance of \$326,602.

7. Callable Debt

	<u>2022</u>	<u>2021</u>
Servus Credit Union callable loan bears interest prime plus 0.5% per annum (Prime equals to 3.70%), repayable in monthly blended payments of \$4,899. The loan matures on November 1, 2025.	\$ 193,827	\$ 245,808
Less: Callable debt due in one year	<u>(49,887)</u>	<u>(52,239)</u>
Callable debt due thereafter (i)	<u>\$ 143,940</u>	<u>\$ 193,569</u>

Principal repayment terms are approximately:

2023	\$ 49,887
2024	52,544
2025	55,342
2026	<u>36,054</u>
	<u>\$ 193,827</u>

(i) Canadian generally accepted accounting principles require loans that the lender can require to be repaid on demand be classified as current liabilities.

Management does not believe that the demand features of the callable debt will be exercised in the current period. Assuming payment of the callable debt is not demanded, regular principal payments required on all callable debt are noted above.

8. Deferred Revenue

	<u>2022</u>	<u>2021</u>
Membership fees	\$ 99,061	\$ 110,052
Grants	<u>-</u>	<u>141,400</u>
	<u>\$ 99,061</u>	<u>\$ 251,452</u>

9. Long Term Debt

As of year end the Canada Emergency Business Account loan has a total of \$60,000. The loan is interest-free until December 31, 2023. If full repayment is made on or before December 31, 2023, \$20,000 of the loan will be forgiven. At January 1, 2024 the loan converts to a three-year term loan bearing interest at 5% per annum and matures on December 31, 2026.

RED DEER & DISTRICT CHAMBER OF COMMERCE

Notes to Financial Statements

Year Ended June 30, 2022

10. Net Assets Internally Restricted

	Capital Asset Replacement Fund	Project Initiatives Reserve	Total
Balance, beginning of the year	\$ 612,125	\$ 280,140	\$ 892,265
Interest income of restricted funds	4,196	-	4,196
Prior year amortization - annual transfer	18,526	(18,526)	-
Balance, end of year	<u>\$ 634,847</u>	<u>\$ 261,614</u>	<u>\$ 896,461</u>

11. Related Party Transactions

The Chamber received fees and reimbursements of expenses from the Agri-Trade partnership in addition to its share of the trade show. Fees and reimbursements received are as follows:

	2022	2021
Administration fee	\$ 70,000	\$ 70,000
Printing, postage, telephone, advertising	4,457	3,474
	<u>\$ 74,457</u>	<u>\$ 73,474</u>

Included in the accounts receivable is a balance of \$327 (2021 - \$ 348) due from Agri-Trade at year end related to the outstanding portion of the amounts noted above.

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 the related parties. The Chamber exercises significant influence over the Agri-Trade partnership through its role on the board of directors.

12. Financial Instruments

The Chamber's financial instruments consist of cash, accounts receivable, restricted cash and term deposits, investments in tradeshow, and accounts payable and accruals. It is management's opinion that the Chamber is not exposed to significant interest, currency, liquidity, market or credit risk arising from these financial instruments except as follows:

Credit risk

The Chamber is exposed to credit risk as it grants credit to its members in the normal course of business. To mitigate this risk the Chamber regularly reviews its accounts receivable list, and will stop granting credit and revoke memberships for members who have not made regular payments.

Interest rate risk

The Chamber is exposed to interest rate price risk as term deposits bear interest at fixed interest rates. The Chamber is also exposed to interest rate price risk as its callable debt bears interest at the prime rate plus 0.5%. As the prime rate fluctuates, the interest on callable debt also fluctuates.