

Financial Statements of

**THE FORT CALGARY PRESERVATION
SOCIETY**

And Independent Auditor's Report thereon

Year ended December 31, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Fort Calgary Preservation Society

Opinion

We have audited the financial statements of The Fort Calgary Preservation Society (the Entity), which comprise:

- the statement of financial position as at December 31, 2023
- the statement of operations and fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2023, and its results of operations and its cash flows 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 auditor's report.

We are independent of the Entity 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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:

- 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 Entity'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 Entity'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 Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

March 27, 2024

THE FORT CALGARY PRESERVATION SOCIETY

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	General Fund	Capital Fund	Endowment Fund	Make History Fund	2023 Total	2022 Total
Assets						
Current assets						
Cash and cash equivalents	\$ 984,014	\$ —	\$ —	\$ —	\$ 984,014	\$ 986,349
Internally restricted cash	53	8,132	—	60,395	68,580	63,194
Accounts receivable (note 4, 8)	172,446	5,168	—	—	177,614	101,050
Inventory	4,800	—	—	—	4,800	—
Prepaid expenses and deposits	2,940	—	—	—	2,940	58,091
	1,164,253	13,300	—	60,395	1,237,948	1,208,684
Restricted marketable investments (note 5)	357,730	—	266,488	2,405,148	3,029,366	2,894,037
Equipment (note 6)	—	73,264	—	3,503	76,767	61,661
	\$ 1,521,983	\$ 86,564	\$ 266,488	\$ 2,469,046	\$ 4,344,081	\$ 4,164,382

Liabilities and Fund Balances

Current liabilities:						
Accounts payable and accrued liabilities	\$ 118,536	\$ —	\$ —	\$ —	\$ 118,536	\$ 150,333
Deposits	71,925	—	—	—	71,925	3,470
Deferred revenue (note 7)	86,495	—	—	—	86,495	146,895
	276,956	—	—	—	276,956	300,698
Total liabilities	276,956	—	—	—	276,956	300,698
Fund balances	1,245,027	86,564	266,488	2,469,046	4,067,125	3,863,684
Economic dependence (note 1)						
Commitments and contingencies (note 10)						
Subsequent event (note 10)						
	\$ 1,521,983	\$ 86,564	\$ 266,488	\$ 2,469,046	\$ 4,344,081	\$ 4,164,382

See accompanying notes to the financial statements.

Approved by the Board of Directors:

Director

Director

THE FORT CALGARY PRESERVATION SOCIETY

Statement of Financial Position

December 31, 2023, with comparative information for 2022


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Accounts receivable (note 4, 8)	172,448	5,168	-	-	177,614	101,050
Inventory	4,800	-	-	-	4,800	-
Prepaid expenses and deposits	2,940	-	-	-	2,940	58,091
	1,164,253	13,300	-	60,395	1,237,948	1,208,684
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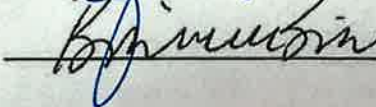
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	\$ 1,521,983	\$ 86,564	\$ 266,488	\$ 2,489,046	\$ 4,344,081	\$ 4,164,382

See accompanying notes to the financial statements.

Approved by the Board of Directors:


 _____ Director


 _____ Director

THE FORT CALGARY PRESERVATION SOCIETY

Statement of Operations and Fund Balances

Year ended December 31, 2023, with comparative information for 2022

	General Fund	Capital Fund	Endowment Fund	Make History Fund	2023 Total	2022 Total
Revenue:						
City of Calgary grant	\$ 1,221,671	\$ -	\$ -	\$ -	\$ 1,221,671	\$ 1,183,465
Life cycle maintenance grant						
City of Calgary (note 8)	-	284,566	-	-	284,566	160,093
Grants and donations	88,418	-	-	-	88,418	268,104
Public programs and cultural development	109,663	-	-	-	109,663	72,077
Venue rentals and events	634,697	-	-	-	634,697	351,358
Youth programs	223,677	-	-	-	223,677	71,797
Other income	50,076	42,298	-	-	92,374	137,502
Investment income	10,658	-	8,895	75,161	94,714	57,105
	2,338,860	326,864	8,895	75,161	2,749,780	2,301,501
Expenses:						
Salaries and benefits	1,244,399	-	-	-	1,244,399	1,006,956
Life cycle maintenance (note 8)	-	291,950	-	-	291,950	178,960
Administration and fundraising	158,147	495	3,412	-	162,054	244,464
Public programs and cultural development	71,465	-	-	-	71,465	152,531
Venue rentals and events	48,975	-	-	-	48,975	14,271
Youth programs	16,746	-	-	-	16,746	38,158
Communications	143,311	-	-	-	143,311	32,355
Collections	22,815	-	-	-	22,815	9,478
Facilities	412,041	-	-	-	412,041	280,056
Utilities	174,317	-	-	-	174,317	156,508
Amortization	-	16,593	-	875	17,468	13,655
	2,292,216	309,038	3,412	875	2,605,541	2,127,392
Other:						
Unrealized gain/(loss) - marketable investments	19,346	-	7,099	16,503	42,948	(119,506)
Realized gain/(loss) - marketable investments	(3,339)	-	(1,974)	21,567	16,254	24,939
	16,007	-	5,125	38,070	59,202	(94,567)
Excess of revenue over expenses	62,651	17,826	10,608	112,356	203,441	79,542
Fund balance, beginning of year	1,172,376	68,738	265,880	2,356,690	3,863,684	3,784,142
Interfund transfer	10,000	-	(10,000)	-	-	-
Fund balance, end of year	\$ 1,245,027	\$ 86,564	\$ 266,488	\$ 2,469,046	\$ 4,067,125	\$ 3,863,684

See accompanying notes to financial statements.

THE FORT CALGARY PRESERVATION SOCIETY

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash flows provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 203,441	\$ 79,542
Add items not affecting cash:		
Amortization of equipment	17,468	13,655
Unrealized (gain) loss – marketable investments	(42,948)	119,506
Non-cash interest from investments	(86,127)	(50,280)
Realized gain – marketable investments	(16,254)	(24,939)
	<u>75,580</u>	<u>137,484</u>
Change in non-cash working capital:		
Accounts receivable	(76,564)	66,802
Inventory	(4,800)	–
Prepaid expenses and deposits	55,151	(49,697)
Accounts payable and accrued liabilities	(31,797)	14,044
Deposits	68,455	(3,470)
Deferred revenue	(60,400)	(8,776)
	<u>25,625</u>	<u>156,387</u>
Investing:		
Purchase of equipment	(32,574)	(9,090)
Withdrawal of funds from marketable investments (note 5)	10,000	10,000
	<u>22,574</u>	<u>910</u>
Increase in cash and cash equivalents	3,051	157,297
Cash and cash equivalents, and restricted cash, beginning of year	1,049,543	892,246
Cash and cash equivalents, and restricted cash, end of year	<u>\$ 1,052,594</u>	<u>\$ 1,049,543</u>
Cash and cash equivalents	\$ 984,014	\$ 986,349
Internal restricted cash	68,580	63,194
	<u>\$ 1,052,594</u>	<u>\$ 1,049,543</u>

See accompanying notes to the financial statements.

THE FORT CALGARY PRESERVATION SOCIETY

Notes to the Financial Statements

Year ended December 31, 2023, with comparative information for 2022

1. Nature of operations:

The Fort Calgary Preservation Society (the "Society") was formed to promote and encourage the expansion, development, restoration and preservation of Fort Calgary, and to promote the use of Fort Calgary for education, research, and enjoyment of the public. The Society operates under an agreement with the City of Calgary (the "City"), to manage the land and buildings that are owned by the City. As part of the agreement, the City annually provides a grant to support the operating expenses of the Society. The Society's operations are dependent on the grants received from the City. The Society is incorporated under the Societies Act of the Province of Alberta and is a registered charity which is exempt from corporate tax.

2. Basis of presentation:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

3. Significant accounting policies:

(a) Fund accounting:

(i) General fund:

This fund reports revenue and expenses for the Society's program delivery, facility rentals and administrative activities.

(ii) Capital fund:

This fund reports resources for lifecycle and maintenance on existing infrastructure at Fort Calgary as well as new developments outside of the Make History campaign.

(iii) Endowment fund:

This fund reports resources contributed that are subject to restrictions stipulating that the principal amount of the resources be maintained permanently.

(iv) Make History fund:

This fund reports the funds for a capital project anticipating new construction and renovation on the Fort Calgary lands, with the outcome of realizing new and/or renovated facilities that are open to the public.

THE FORT CALGARY PRESERVATION SOCIETY

Notes to the Financial Statements, page 2

Year ended December 31, 2023, with comparative information for 2022

3. Significant accounting policies (continued):

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and marketable investments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) Cash and cash equivalents:

Cash consists of cash and deposits held at Canadian financial institutions. The Society considers all investments readily convertible to cash with maturities of three months or less at the time of investment to be cash equivalents.

(d) Inventory:

Inventory is recorded at the lower of cost and net realizable value. Cost is determined using the weighted average method. Cost includes purchase, conversion and other costs incurred in bringing the inventories to their present location and condition. Previous write-downs to net realizable value are reversed to the extent that there is a subsequent increase in the net realizable value of the inventory.

(e) Equipment:

Equipment owned by the Society is recorded in the appropriate fund at cost. The Society provides for amortization using the declining balance method at a rate of 20%, designed to amortize the cost of the equipment over its estimated life. A full year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal.

THE FORT CALGARY PRESERVATION SOCIETY

Notes to the Financial Statements, page 3

Year ended December 31, 2023, with comparative information for 2022

3. Significant accounting policies (continued):

(f) Impairment of long-lived assets:

Long-lived assets, including equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and exceeds its fair value or replacement cost. An impairment loss is recognized when the asset's carrying amount is not recoverable and the capital asset no longer contributes to the Society's ability to provide services or that the future economic benefits or service potential associated with the assets is less than its net carrying amount.

(g) Revenue recognition:

The Society follows the restricted fund method of accounting for contributions.

Restricted contributions related to general operations or for which no restricted fund exists are recognized as revenue in the general fund in the year in which the related costs are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions are recognized as revenue of the general fund in the year received, or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Programs and rental revenue are recognized in the general fund when services are provided and collection is reasonably assured.

Restricted investment income is recorded as revenue of the appropriate restricted fund when earned. Unrestricted investment income earned is recognized as revenue of the general fund.

(h) Contributed materials and services:

The Society records the value of contributed materials and services when the fair value can be reasonably estimated and when the materials and services would otherwise have been purchased.

THE FORT CALGARY PRESERVATION SOCIETY

Notes to the Financial Statements, page 4

Year ended December 31, 2023, with comparative information for 2022

3. Significant accounting policies (continued):

(i) Measurement uncertainty:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Significant estimates includes the recoverability and useful lives of equipment.

4. Accounts receivable:

Included in accounts receivable are \$5,144 (2022 – \$85,368) from the City, and \$3,176 (2022 – \$8,746) of government remittances receivable.

5. Restricted marketable investments:

	2023	2022
Fixed income	\$ 2,046,679	\$ 109,029
Marketable securities	982,687	2,785,008
	<u>\$ 3,029,366</u>	<u>\$ 2,894,037</u>

During the year, \$10,000 (2022 – \$10,000) was withdrawn from the Endowment Fund for Youth programs fee assistance expenditures in the Operating fund.

THE FORT CALGARY PRESERVATION SOCIETY

Notes to the Financial Statements, page 5

Year ended December 31, 2023, with comparative information for 2022

6. Equipment:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Capital fund:				
Computers and equipment	\$ 121,979	\$ 80,217	\$ 41,762	\$ 46,636
Furniture and equipment	45,010	40,547	4,463	5,580
Landscaping equipment	22,582	18,528	4,054	5,067
Security cameras	25,740	4,505	21,235	-
Art	1,750	-	1,750	-
Make History fund:				
Computers and equipment	11,886	8,383	3,503	4,378
	\$ 228,947	\$ 152,180	\$ 76,767	\$ 61,661

Under the terms of the agreement with the City, title to lands acquired, buildings constructed, and other capital projects is vested with the City and therefore these expenditures are not reported in these financial statements as assets of the Society.

7. Deferred revenue:

Deferred revenue relates to restricted funding received in the current year, which is designated for expenditures of the subsequent fiscal year.

	2023	2022
Balance, beginning of year	\$ 146,895	\$ 162,610
Additions	1,400,745	1,371,438
Revenue recognized	(1,461,145)	(1,387,153)
Balance, end of year	\$ 86,495	\$ 146,895

THE FORT CALGARY PRESERVATION SOCIETY

Notes to the Financial Statements, page 6

Year ended December 31, 2023, with comparative information for 2022

8. Life cycle maintenance grant – City of Calgary:

The City annually provides a life cycle maintenance grant to support the operating expenses of the Society. The Society was approved for \$579,000 (2022 – \$470,667) in expenditures from the Culture, Parks, and Recreation Infrastructure Investment Plan (“CPR IIP”) review process through the Capital Civic Partner Grant Program. Of the approved amount, the City would reimburse 75% of the expenditure incurred by the Society towards critical and lifecycle maintenance costs for up to a maximum amount of \$520,000. The remaining approved balance of \$59,000 would be reimbursed at 100%.

The Society recognized life cycle maintenance grant revenue of \$284,566 (2022 – \$160,093) from the City of which \$5,144 (2022 – \$22,380) is included in accounts receivable.

Expenses incurred for life cycle maintenance are as follows:

	2023	2022
Various repairs and replacements	\$ 76,992	\$ 34,305
Site maintenance and replacements	50,773	7,930
HVAC, plumbing repairs and replacements	8,943	33,230
Interpretive Centre roof replacement	206,989	137,993
	<u>\$ 343,697</u>	<u>\$ 213,458</u>

9. Financial risks:

The Society is subject to the following financial risks:

(a) Credit risk:

Credit risk refers to the risk that a restricted cash or unrestricted cash counterparty may default on its contractual obligations resulting in a financial loss. The Society does not believe it is subject to any significant concentration of credit risk. Cash and cash equivalents, internally restricted cash and investments are in place with major Canadian financial institutions and the majority of the accounts receivables are due from the federal and municipal governments, where the likelihood of default is low.

(b) Liquidity risk:

Liquidity risk is the risk that the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society does not believe it is subject to any significant liquidity risk, other than the circumstances described in note 10.

The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

THE FORT CALGARY PRESERVATION SOCIETY

Notes to the Financial Statements, page 7

Year ended December 31, 2023, with comparative information for 2022

9. Financial risks (continued):

(c) Interest rate risk:

Interest rate risk arises on cash and cash equivalents, internally restricted cash, and restricted marketable investments. The Society is exposed to interest rate risk due to fluctuations in the bank's interest rates.

There have been no changes to the Society's risk exposure since 2022.

10. Commitments and contingencies:

During the year ended December 31, 2020, Alberta Gaming, Liquor & Cannabis ("AGLC") reported the results of an audit (the "Audit") of grants made to the Society under the Major Community Facilities Program (the "MCFP"). Under the MCFP, the Society originally received a total of \$8,000,000 from 2008 to 2012 for the purpose of the expansion of the existing interpretive centre ("Approved Purpose") under the Make History Project. Together with accumulated interest, that original amount had become \$9,632,795 as at October 31, 2019, as reported by the Audit. Under the MCFP grant agreement as twice amended (the "MCFP Agreement"), the Society was required to expend such funds only on "Eligible Expenditures" and for the "Approved Purpose". As disclosed by the Audit, however, grant funds comprising \$8,530,480 had been spent by the Society as at October 31, 2019 for the "Approved Purpose" but, of this amount, only \$2,377,658 also comprised "Eligible Expenditures". Furthermore, under the MCFP Agreement, the "Approved Purpose", which at the time of the AGLC audit contemplated the construction of a new interpretive center as part of "Phase 3" activities, was to have been achieved no later than March 15, 2019. This did not happen, such that, under the terms of the MCFP Agreement and also applicable law, the Society could have been called upon by the Minister of Culture, Multiculturalism, and Status of Women (the "Ministry") to repay all or any part of the MCFP grant amount, including interest, until further amendments realized during the year were concluded,

THE FORT CALGARY PRESERVATION SOCIETY

Notes to the Financial Statements, page 8

Year ended December 31, 2023, with comparative information for 2022

10. Commitments and contingencies (continued):

By contract fully executed June 10, 2022, the Society and the Ministry has settled the terms of a further amendment to the MCFP Agreement. Under this third amendment, the concept of "Eligible Expenditures" has been eliminated from the MCFP Agreement, MCFP funding may not exceed 50% of the total cost of achieving the "Approved Purpose" as redefined, and the date for project completion has been extended to March 31, 2025. The scale of fundraising by the Society to complete the Approved Purpose and to satisfy the MCFP Agreement's matching requirements will inherently depend upon the final resolved financial scope of that Approved Purpose and as defined by the Agreement, the Approved Purpose is "To be determined with the Fort Calgary Preservation Society and the City of Calgary by April 30, 2023" and the resulting cost upon performance must be "\$8,300,000 at minimum". The Approved Purpose has not yet been determined and the Society is working with the Ministry to finalize this.

Subsequent to year-end, the Society is under discussion with Alberta Government representatives to consider the current state of the MCFP Grant and provided an update regarding the transformational work that the Society has underway. The Society has developed a draft capital plan to support the upcoming projects the MCFP funding will be put towards. This capital plan is being refined and finalized by Calgary Municipal Land Corporation (CMLC), the City's capital and land development subsidiary. Once CMLC has refined the capital plan, management is anticipating further extension from Alberta Government for the MCFP grant.

As was true prior to the third amendment to the MCFP Agreement being achieved if the Society is unable to satisfy the terms of the MCFP Agreement (or to seek further responsive amendments to that agreement as the Make History project's scope and timeframe clarifies), then under the terms of the MCFP Agreement, the Society could be called upon to repay the full \$8,000,000 originally funded under the agreement plus interest. In respect of this matter, no liability for repayment has been recorded in these financial statements.