

The Calgary Chamber of Commerce
(a not-for-profit organization)

Financial Statements

December 31, 2005

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Auditors' Report

To the Members
The Calgary Chamber of Commerce
(a not-for-profit organization)

We have audited the statement of financial position of The Calgary Chamber of Commerce (a not-for-profit organization) as at December 31, 2005 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 organization's management. 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 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, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Collins Barrow Calgary LLP

CHARTERED ACCOUNTANTS

Calgary, Alberta
February 24, 2006

The Calgary Chamber of Commerce

(a not-for-profit organization)

Statement of Financial Position

December 31, 2005

| | 2005 | 2004 |
|-----------------------------------------------------------|---------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash | \$ 155,247 | \$ 82,562 |
| Accounts receivable | 410,946 | 365,554 |
| Inventory | 43,536 | 58,424 |
| Prepaid expenses | 133,690 | 149,002 |
| Current portion of contributions receivable | <u>101,333</u> | <u>318,750</u> |
| | 844,752 | 974,292 |
| Contributions receivable (note 3) | 25,000 | 116,333 |
| Investments (note 4) | 316,139 | 310,482 |
| Capital assets (note 5) | <u>3,660,373</u> | <u>3,777,728</u> |
| | <u>\$ 4,846,264</u> | <u>\$ 5,178,835</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 237,989 | \$ 330,421 |
| Deferred revenue | <u>726,845</u> | <u>702,937</u> |
| | 964,834 | 1,033,358 |
| Deferred contributions related to capital assets (note 7) | <u>926,949</u> | <u>1,004,160</u> |
| | <u>1,891,783</u> | <u>2,037,518</u> |
| Net Assets | | |
| Invested in capital assets | 2,733,424 | 2,773,568 |
| Internally restricted (note 8) | 316,139 | 310,482 |
| Unrestricted | <u>(95,082)</u> | <u>57,267</u> |
| | <u>2,954,481</u> | <u>3,141,317</u> |
| | <u>\$ 4,846,264</u> | <u>\$ 5,178,835</u> |
| Contingent liability (note 13) | | |

Approved by the Board,

_____, Director

_____, Director

The Calgary Chamber of Commerce

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Statement of Operations

Year Ended December 31, 2005

| | 2005 | 2004 |
|----------------------------------------|----------------------------|---------------------------|
| Revenues | | |
| Members' dues | \$ 1,269,200 | \$ 1,280,880 |
| Club revenues (note 9) | 1,484,995 | 1,378,492 |
| Special projects and events | 913,000 | 1,033,208 |
| Other income | 202,063 | 169,731 |
| Building rentals | 85,792 | 67,963 |
| Interest income | 7,948 | 6,043 |
| Amortization of deferred contributions | <u>61,026</u> | <u>50,516</u> |
| | <u>4,024,024</u> | <u>3,986,833</u> |
| Expenditures | | |
| Administration | 1,662,609 | 1,560,260 |
| Club operations | 1,327,598 | 1,213,911 |
| Special projects and events (note 9) | 591,503 | 661,205 |
| Building operations | 300,696 | 282,713 |
| Marketing and member services | 78,330 | 70,631 |
| Amortization | <u>250,124</u> | <u>246,834</u> |
| | <u>4,210,860</u> | <u>4,035,554</u> |
| Excess of expenditures over revenue | \$ <u><u>(186,836)</u></u> | \$ <u><u>(48,721)</u></u> |

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Statement of Changes in Net Assets

Year Ended December 31, 2005

| | Invested in Capital Assets | Internally Restricted | Unrestricted | 2005 | 2004 |
|----------------------------------------------------------------------|----------------------------------|--------------------------|--------------------|---------------------|---------------------|
| Balance, beginning of year | \$ 2,773,568 | \$ 310,482 | \$ 57,267 | \$ 3,141,317 | \$ 3,190,038 |
| Excess of revenues over expenditures (expenditures over revenues) | (189,098) | 5,657 | (3,395) | (186,836) | (48,721) |
| Investment in capital assets | <u>148,954</u> | <u>-</u> | <u>(148,954)</u> | <u>-</u> | <u>-</u> |
| Balance, end of year | <u>\$ 2,733,424</u> | <u>\$ 316,139</u> | <u>\$ (95,082)</u> | <u>\$ 2,954,481</u> | <u>\$ 3,141,317</u> |

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Statement of Cash Flows

Year Ended December 31, 2005

| | 2005 | 2004 |
|---------------------------------------------------------------------------------------------------|-------------------|------------------|
| Cash was provided by (used for): | | |
| Operating activities | | |
| Excess of expenditures over revenue | \$ (186,836) | \$ (48,721) |
| Items not involving cash | | |
| Amortization | 250,124 | 246,834 |
| Amortization of deferred contributions | <u>(61,026)</u> | <u>(50,516)</u> |
| | 2,262 | 147,597 |
| Changes in non-cash working capital items | | |
| Accounts receivable | (45,392) | (148,801) |
| Inventory | 14,888 | (508) |
| Prepaid expenses | 15,312 | (8,231) |
| Accounts payable and accrued liabilities | (80,528) | 75,734 |
| Deferred revenue | <u>23,908</u> | <u>65,621</u> |
| | <u>(69,550)</u> | <u>131,412</u> |
| Financing activity | | |
| Proceeds from contributions, net of fund raising costs | <u>292,565</u> | <u>238,619</u> |
| Investing activities | | |
| Purchase of investments | (5,657) | (54,051) |
| Purchase of capital assets | (132,769) | (189,389) |
| Net change in accounts payable and accrued liabilities relating to the purchase of capital assets | <u>(11,904)</u> | <u>(402,533)</u> |
| | <u>(150,330)</u> | <u>(645,973)</u> |
| Cash inflow (outflow) | 72,685 | (275,942) |
| Cash, beginning of year | <u>82,562</u> | <u>358,504</u> |
| Cash, end of year | <u>\$ 155,247</u> | <u>\$ 82,562</u> |

The Calgary Chamber of Commerce

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Notes to Financial Statements

December 31, 2005

1. Nature of activities

The Calgary Chamber of Commerce is an organization operating to assist local businesses by promoting public policies that are beneficial to business, by presenting speakers and events relevant to local business, and by providing networking opportunities.

The Calgary Chamber of Commerce is a not-for-profit organization under the provisions of paragraph 149(1)(e) of the Income Tax Act and is therefore not subject to federal or Alberta income taxes.

2. Accounting policies

(a) Revenue recognition

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

Deferred contributions restricted for the acquisition of capital assets are recognized as revenue in amounts that match the amortization of the related capital assets.

Pledges for contributions restricted for the acquisition of capital assets are recognized as deferred contributions if the amount to be received can be reasonably estimated and collection is reasonably assured.

Members' dues are recorded as deferred revenue when received and are recognized as revenue in the statement of operations over the related membership period.

(b) Inventory

Inventory is valued at the lower of cost and net realizable value, cost being determined primarily on a first-in, first-out basis.

(c) Investments

Investments are carried at cost and are internally restricted, as described in note 8. If there is other than a temporary decline in value, these investments will be written down to estimated net realizable value in the period of decline.

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Notes to Financial Statements

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(d) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value when fair market value is reasonably determinable at the date of contribution.

Capital assets are amortized on a straight-line basis over the estimated useful life of the asset, which are as follows:

| | |
|---------------------------------|--------------|
| Building | 50 years |
| Building improvements | 5 - 15 years |
| Business Centre | 25 years |
| Furniture and fixtures | 3 - 10 years |
| Computer equipment and software | 3 years |
| Corporate identity | 3 - 5 years |

Amortization of deferred contributions is provided on the same basis as amortization of the related capital assets contributed.

(e) Donations-in-kind

Donated materials are recognized in the financial statements at their estimated fair value if reasonably determinable.

Volunteers of The Calgary Chamber of Commerce contribute an indeterminable number of hours per year to promote and support the organization's activities. Due to the difficulty of determining the estimated fair value of contributed services, contributed services are not recognized in the financial statements.

(f) Commissions expense

Commissions expense is recorded as a prepaid expense at the start of a membership period and then recognized as an expense grouped with administration expense in the statement of operations over the related membership period.

(g) Measurement uncertainty

The amounts recorded for amortization of capital assets and the related amortization of deferred contributions are based on management's best estimates of the remaining useful lives and period of future benefit of the capital assets. The amounts recorded as contributions receivable are based on management's best estimates of the pledges that will be honoured in future by donors to the Business Centre capital campaign.

By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

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Notes to Financial Statements

December 31, 2005

3. Contributions receivable

During 2003, The Calgary Chamber of Commerce launched a campaign to raise \$1,100,000 for the construction of the Business Centre. As at December 31, 2005, the organization had received pledges in the amount of \$1,094,517 (2004 - \$1,082,767). Of this amount, \$968,184 (2004 - \$647,684) had been received by year-end.

The estimated contributions to be received over the next two years in accordance with the written pledge agreements are as follows:

| | |
|------|-------------------|
| 2006 | \$ 101,333 |
| 2007 | <u>25,000</u> |
| | <u>\$ 126,333</u> |

4. Investments

The investments consist of money market funds, for which market value equals costs, and pooled equity funds recorded at cost. They are internally restricted, as described in note 8.

5. Capital assets

| | Cost | Accumulated Amortization | Net Book Value | |
|------------------------------------|---------------------|-----------------------------|---------------------|---------------------|
| | | | 2005 | 2004 |
| Land | \$ 750,563 | \$ - | \$ 750,563 | \$ 750,563 |
| Building | 2,447,149 | 1,189,154 | 1,257,995 | 1,306,938 |
| Building improvements | 790,938 | 471,932 | 319,006 | 338,111 |
| Business Centre | 950,940 | 75,969 | 874,971 | 913,009 |
| Furniture and fixtures | | | | |
| Chamber offices | 265,955 | 105,533 | 160,422 | 171,851 |
| Club | 781,678 | 689,366 | 92,312 | 96,551 |
| Business Centre | 171,389 | 34,278 | 137,111 | 154,250 |
| Computer equipment and software | 381,905 | 315,889 | 66,016 | 43,500 |
| Corporate identity | <u>13,329</u> | <u>11,352</u> | <u>1,977</u> | <u>2,955</u> |
| | <u>\$ 6,553,846</u> | <u>\$ 2,893,473</u> | <u>\$ 3,660,373</u> | <u>\$ 3,777,728</u> |

6. Credit facility

The Calgary Chamber of Commerce has available an unsecured revolving demand credit facility to a maximum of \$300,000 from a Canadian chartered bank, bearing interest at prime plus 0.5% per annum. At year-end, no amounts had been drawn on the facility.

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7. Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized portion of contributed capital assets and restricted contributions received from donors for the construction of the Business Centre.

The changes in the deferred contributions balance for the year are as follows:

| | 2005 | 2004 |
|--------------------------------------------|-------------------|---------------------|
| Balance, beginning of year | \$ 1,004,160 | \$ 841,521 |
| Add: Contributed capital assets | - | 105,453 |
| Contributions pledged during the year | <u>25,000</u> | <u>173,167</u> |
| | <u>1,029,160</u> | <u>1,120,141</u> |
| Less: Fundraising costs during the year | (27,935) | (65,465) |
| Pledges not honoured | (13,250) | - |
| Amount amortized to income during the year | <u>(61,026)</u> | <u>(50,516)</u> |
| | <u>(102,211)</u> | <u>(115,981)</u> |
| Balance, end of year | <u>\$ 926,949</u> | <u>\$ 1,004,160</u> |

8. Internally restricted net assets

An operating reserve fund was established by the Board of Directors in 2001 with the objective of maintaining an amount equivalent to three months' operational expenses, estimated to be approximately \$510,000. In 2005, \$NIL (2004 - \$50,000) was transferred to the operating reserve fund and additional amounts will be transferred from future earnings. This fund is not available for unrestricted purposes without approval by the Board of Directors.

9. Club and events operations

The Club provides catering services to the events department for events held on site. There is \$82,170 (2004 - \$93,056) included in club revenues, with an equal expense recorded in special projects and events expenditures.

10. Commitments

The Calgary Chamber of Commerce has entered into equipment leases that require quarterly payments of \$3,779 and \$1,485 with the last payments due October 1, 2006 and March 8, 2010, respectively.

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11. Related party transaction

The Calgary Chamber of Commerce entered into a purchase agreement for a phone system installed by a company whose president and CEO was a member of the Board of Directors as at December 31, 2003. The system had a list price of \$141,165 of which \$105,453 was donated in kind and the balance of \$35,712 is payable over 36 months in monthly instalments of \$992, without interest. The unpaid balance at year-end of \$12,896 (2004 - \$24,800) is included in accounts payable and accrued liabilities.

12. Financial instruments

Fair values

The fair values of the organization's accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature. The fair value of contributions receivable could not be determined with sufficient reliability since it is non-interest bearing and payment dates are not all determinable.

13. Contingent liability

During the year, the organization voluntarily applied for coverage from the Workers' Compensation Board ("WCB") for its food and beverage operations. According to the WCB, the organization may not qualify for exempt status, resulting in a possible reassessment back to 1999. On this basis, WCB could hold the organization liable for premiums of approximately \$45,000.

No amounts have been accrued in the financial statements relating to this contingency because management believes this claim is without merit and is seeking a legal opinion on the issue. Therefore, the ultimate outcome cannot be reasonably determined at the present time.