

Historic Resources Fund

Financial Statements

March 31, 2004

**Historic Resources Fund
Financial Statements
March 31, 2004**

Auditor's Report

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Auditor's Report

To the Minister of Community Development

I have audited the statement of financial position of the Historic Resources Fund as at March 31, 2004 and the statements of operations and cash flow for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 prior years, the Ministry of Community Development operated some of its facilities with the assistance of volunteer societies. The Ministry's revenues, expenses, and surpluses generated by the operation of these government-owned facilities were excluded from the Fund's financial statements. As of March 31, 2004, accumulated surpluses of approximately \$216,000 have been returned to the Fund and recorded as deferred contributions instead of being recorded as part of the fund balance. In addition, the Fund has not recorded Ministry's surpluses generated by the operation of government-owned facilities that have not been returned to the Fund by the volunteer societies, which are estimated to be \$109,000. The effect of this departure from Canadian generally accepted accounting principles is to overstate liabilities by approximately \$216,000, understate assets by approximately \$109,000 and understate fund balance by approximately \$325,000 at March 31, 2004.

In my opinion, except for the effect of the matter discussed in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original Signed by Fred J. Dunn, FCA
Auditor General

Edmonton, Alberta
May 21, 2004

The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.

**Historic Resources Fund
Statement of Operations
Year ended March 31, 2004**

	2004		2003
	Budget (Schedule 3)	Actual	Actual (Restated Note 3)
Revenues (Note 3 and Schedule 1)			
Interpretative Programs and Services	\$ 4,091,000	\$ 3,618,198	\$ 3,747,769
Promotion and Presentation	2,960,000	2,299,193	2,388,413
Donations	67,000	785,404	1,665,759
Other Initiatives	529,000	736,801	626,854
Provincial Archives Services	100,000	75,933	205,284
Investment Income	80,000	87,806	108,560
Miscellaneous	-	495	16,803
	<u>7,827,000</u>	<u>7,603,830</u>	<u>8,759,442</u>
Expenses – Directly Incurred (Note 3 and Schedules 2 and 5)			
Interpretative Programs and Services	4,041,000	3,380,459	3,119,902
Promotion and Presentation	3,367,000	2,810,375	3,042,908
Other Initiatives	279,000	195,181	226,058
Provincial Archives	167,000	142,645	217,975
	<u>7,854,000</u>	<u>6,528,660</u>	<u>6,606,843</u>
Valuation Adjustments			
Provision for Doubtful Accounts	-	17,862	14,571
		<u>6,546,522</u>	<u>6,621,414</u>
Net Operating Results	<u>\$ (27,000)</u>	1,057,308	2,138,028
Fund Balance at Beginning of Year		<u>4,187,755</u>	<u>2,049,727</u>
Fund Balance at End of Year		<u>\$ 5,245,063</u>	<u>\$ 4,187,755</u>

The accompanying notes and schedules are part of these financial statements.

**Historic Resources Fund
Statement of Financial Position
As at March 31, 2004**

	2004	2003
		(Restated Note 3)
Assets		
Cash (Note 4)	\$ 2,389,530	\$ 3,040,315
Accounts Receivable (Note 5)	103,321	506,914
Inventory	244,822	182,495
Prepaid Expenses	3,777	23,467
Tangible Capital Assets (Note 6)	3,899,401	2,759,563
	\$ 6,640,851	\$ 6,512,754
Liabilities		
Accounts Payable and Accrued Liabilities	\$ 856,285	\$ 1,280,899
Deferred Contributions (Note 7)	472,083	976,501
Unearned Revenue	67,420	67,599
	1,395,788	2,324,999
Fund Balance	5,245,063	4,187,755
	\$ 6,640,851	\$ 6,512,754

The accompanying notes and schedules are part of these financial statements.

**Historic Resources Fund
Statement of Cash Flow
Year ended March 31, 2004**

	2004	2003 (Restated Note 3)
Operating Transactions		
Net Operating Results	\$ 1,057,308	\$ 2,138,028
Non-cash Items		
Amortization of Tangible Capital Assets	328,789	125,653
Valuation Adjustments	17,862	14,571
	1,403,959	2,278,252
Decrease (Increase) in Accounts Receivable before Valuation Adjustments	385,731	(370,824)
Increase in Inventory	(62,327)	(65,465)
Decrease (Increase) in Prepaid Expenses	19,690	(6,427)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(424,614)	828,364
Decrease in Deferred Contributions	(504,418)	(1,038,314)
Decrease in Unearned Revenue	(179)	(268,069)
Cash Provided by Operating Transactions	817,842	1,357,517
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,213,127)	(1,899,427)
Donation of Tangible Capital Assets	(255,500)	(169,900)
Cash Applied to Capital Transactions	(1,468,627)	(2,069,327)
Decrease in Cash	(650,785)	(711,810)
Cash, Beginning of Year	3,040,315	3,752,125
Cash, End of Year	\$ 2,389,530	\$ 3,040,315

The accompanying notes and schedules are part of these financial statements.

Historic Resources Fund
Notes to the Financial Statements
Year ended March 31, 2004

Note 1 Authority and Purpose

The Historic Resources Fund (Fund) operates under the authority of the *Historical Resources Act*, Chapter H-9, Revised Statutes of Alberta 2000, as amended.

The purpose of the Fund is to protect, enhance, promote and display Alberta's historic resources by funding programs designated by the Lieutenant Governor in Council, by providing operational grants to non-profit organizations, and by promoting the use and development of related facilities.

The Fund is a regulated fund of the Province of Alberta and as such has a tax-exempt status.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate. These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments.

(a) Reporting Entity

The reporting entity is the Historic Resources Fund, which is part of the Ministry of Community Development (Ministry), and for which the Minister of Community Development (Minister) is accountable. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year-end is recorded as unearned revenue.

Grants and donations, that are restricted to a specific use, are recorded as deferred contributions and transferred to revenues in the period in which the related expenses are incurred.

Donations are recognized as revenues when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value at the date of donation when fair value can reasonably be determined.

Historic Resources Fund
Notes to the Financial Statements
Year ended March 31, 2004

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(b) Basis of Financial Reporting (continued)

Revenues (continued)

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive goods or services directly in return.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Fund has primary responsibility and accountability for, as reflected in the Government's budget documents. In addition to program operating expenses like salaries, supplies, etc., directly incurred expenses also include amortization of tangible capital assets.

Incurred by Others

Services contributed by other entities in support of the Fund's operations are disclosed in Schedule 5.

Assets

Financial assets of the Fund include advances to and receivables from other organizations, employees, and other individuals, as well as inventories held for resale. Inventory is valued at the lower of cost and estimated net realizable value.

Tangible capital assets of the Fund are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing all capital assets is \$5,000.

Liabilities

Liabilities represent all financial claims payable by the Fund at fiscal year-end.

Fair Value

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, accounts payable and accrued liabilities are estimated to approximate their carrying values.

**Historic Resources Fund
Notes to the Financial Statements
Year ended March 31, 2004**

Note 3 Correction of Error

The comparative figures include donations-in-kind that were not previously recorded and museum exhibits that had been incorrectly expensed. This correction has the effect on the comparative figures of increasing revenue by \$169,000, increasing capital assets and equity by \$681,467 (April 1, 2002) and \$1,815,097 (April 1, 2003) and decreasing expenses by \$1,645,197 (2002 – \$681,467).

Note 4 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. CCITF is managed by Alberta Finance with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of three years. Interest is earned on the Fund's daily cash balance at the average rate of CCITF earnings, which varies depending on prevailing market interest rates.

Due to the short-term nature of these deposits, the carrying value approximates fair value.

Note 5 Accounts Receivable

	2004		2003	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts Receivable	\$ 128,787	\$ 25,466	\$ 103,321	\$ 402,289
Accounts Receivable from Department of Community Development	-	-	-	104,625
	<u>\$ 128,787</u>	<u>\$ 25,466</u>	<u>\$ 103,321</u>	<u>\$ 506,914</u>

Historic Resources Fund
Notes to the Financial Statements
Year ended March 31, 2004

Note 6 Tangible Capital Assets

	Estimated Useful Life	2004		2003	
		Cost	Accumulated Amortization	Net Book Value	Net Book Value (Restated Note 3)
Equipment	3-10 years	\$ 4,268,806	\$ (439,661)	\$ 3,829,145	\$ 2,679,947
Computer Hardware and Software	5 years	106,739	(36,483)	70,256	79,616
		<u>\$ 4,375,545</u>	<u>\$ (476,144)</u>	<u>\$ 3,899,401</u>	<u>\$ 2,759,563</u>

Note 7 Deferred Contributions

Deferred contributions represent restricted contributions received relating to expenses of future years.

Changes in the deferred contributions balance are as follows:

	2004	2003
Restricted Contributions Received During the Year:		
Promotion and Presentation	\$ 63,743	\$ 177,237
Other Initiatives	295,869	271,447
	359,612	448,684
Less: Amounts Recognized as Revenue in the Year	(864,030)	(1,486,998)
Decrease During the Year	(504,418)	(1,038,314)
Balance at Beginning of Year	976,501	2,014,815
Balance at End of Year	<u>\$ 472,083</u>	<u>\$ 976,501</u>
Balance at End of Year is Comprised of:		
Promotion and Presentation	\$ 368,319	\$ 712,649
Other Initiatives	103,764	263,852
	<u>\$ 472,083</u>	<u>\$ 976,501</u>

**Historic Resources Fund
Notes to the Financial Statements
Year ended March 31, 2004**

Note 8 Commitments

As at March 31, 2004, the Fund has the following commitments:

	2004	2003
Program Contracts	\$ 2,144,619	\$ 297,314
Long-term Leases ^(a)	8,731	36,001
	\$ 2,153,350	\$ 335,315

^(a) The Fund leases vehicles under operating leases that expire on various dates to 2005. The aggregate amounts payable for the unexpired terms of these leases are as follows:

2004 – 2005	\$ 8,731
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Note 9 Comparative Figures

Certain 2003 figures have been reclassified to conform to the 2004 presentation.

Note 10 Approval of Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister of the Department of Community Development.

**Historic Resources Fund
Revenues
Year ended March 31, 2004**

	2004		2003
	Budget	Actual	Actual (Restated Note 3)
Transfers from Government of Canada	\$ 350,000	\$ 68,747	\$ 140,335
Investment Income	80,000	87,806	108,560
Premiums, Fees and Licences	4,341,000	3,783,275	3,819,722
Other Revenue			
Recoveries	2,989,000	2,217,541	1,759,976
Donations	67,000	785,404	1,665,759
Rental Revenue	-	5,963	617,160
Other Grants and Contributions	-	579,291	622,772
Refunds of Expenses	-	69,619	16,764
Other Miscellaneous Revenue	-	6,184	8,394
	\$ 7,827,000	\$ 7,603,830	\$ 8,759,442

Historic Resources Fund
Expenses – Directly Incurred Detailed by Object
Year ended March 31, 2004

	2004		2003
	Budget	Actual	Actual (Restated Note 3)
Supplies and Services			
Materials and Supplies	\$ 1,407,000	\$ 1,490,453	\$ 1,522,534
Contract Services	4,895,000	3,904,275	4,153,387
General Office	508,000	291,891	367,120
Supplies and Services from Support Service Arrangements with Related Parties ^(a)	811,000	448,966	322,973
Travel	130,000	57,254	95,542
Hosting	76,000	7,032	19,634
Amortization of Tangible Capital Assets	27,000	328,789	125,653
	\$ 7,854,000	\$ 6,528,660	\$ 6,606,843
Valuation Adjustments			
Provision for Doubtful Accounts	\$ -	\$ 17,862	\$ 14,571

^(a) The Fund receives financial and administrative services from the Department of Community Development.

**Historic Resources Fund
Budget
Year ended March 31, 2004**

	2003-2004 Estimates	Treasury Board Approval	2003-2004 Authorized Budget
Revenues			
Transfers from the Government of Canada	\$ 350,000	\$ -	\$ 350,000
Investment Income	80,000	-	80,000
Premiums, Fees and Licences	4,341,000	-	4,341,000
Other Revenue	3,056,000	-	3,056,000
	<u>7,827,000</u>	<u>-</u>	<u>7,827,000</u>
Expenses – Directly Incurred			
Interpretive Programs and Services	4,041,000	-	4,041,000
Promotion and Presentation	3,367,000	-	3,367,000
Other Initiatives	279,000	-	279,000
Provincial Archives	167,000	-	167,000
	<u>7,854,000</u>	<u>-</u>	<u>7,854,000</u>
Net Operating Results	<u>\$ (27,000)</u>	<u>\$ -</u>	<u>\$ (27,000)</u>
Capital Investment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Historic Resources Fund
Related Party Transactions
Year ended March 31, 2004**

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements.

The Fund paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Fund had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2004	2003 (Restated Note 3)	2004	2003
Revenues				
Grants	\$ -	\$ 155,400	\$ -	\$ -
Expenses – Directly Incurred				
Other services	\$ -	\$ -	\$ 110,906	\$ 20,248
Accounts Payable	\$ 176,523	\$ 30,452	\$ -	\$ -
Accounts Receivable	\$ -	\$ 104,625	\$ -	\$ -

The above transactions do not include support service arrangement transactions disclosed in Schedule 2.

The Fund also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements and are disclosed in Schedule 5.

	Entities in the Ministry		Other Entities	
	2004	2003	2004	2003
Expenses – Incurred by Others				
Accommodation	\$ -	\$ -	\$ 43,791	\$ 39,998
Other Services	240,235	281,066	-	-
	<u>\$ 240,235</u>	<u>\$ 281,066</u>	<u>\$ 43,791</u>	<u>\$ 39,998</u>

**Historic Resources Fund
Allocated Costs
Year ended March 31, 2004**

Program	2004				2003	
	Expenses ^(a)	Expenses – Incurred by Others		Valuation Adjustments	Total Expenses	Total Expenses
		Accommodation ^(b)	Other Services ^(c)			
Interpretative Programs and Services	\$ 3,380,459	\$ 22,613	\$ 124,051	\$ -	\$ 3,527,123	\$ 3,245,563
Promotion and Presentation	2,810,375	18,917	103,778	17,637	2,950,707	3,216,890
Other Initiatives	195,181	1,306	7,163	-	203,650	251,277
Provincial Archives	142,645	955	5,243	225	149,068	228,748
	<u>\$ 6,528,660</u>	<u>\$ 43,791</u>	<u>\$ 240,235</u>	<u>\$ 17,862</u>	<u>\$ 6,830,548</u>	<u>\$ 6,942,478</u>

- (a) Expenses – Directly Incurred as per Statement of Operations, excluding valuation adjustments.
- (b) Costs shown for Accommodation (includes grants in lieu of taxes) on Schedule 4, allocated by square footage.
- (c) Costs shown for Other Services on Schedule 4, allocated by estimated costs incurred by each program.
- (d) Doubtful Accounts Provision were estimated and allocated to program.