

# Lindsay Park Sports Society

## Notes to Financial Statements

December 31, 2011

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### 1 Nature and purpose of the Society

Lindsay Park Sports Society (the "Society") is a not-for-profit, non-taxable organization incorporated under the Societies Act of the Province of Alberta.

The purpose of the Society is to oversee and direct the management and operation of Talisman Centre ("the Centre") in accordance with its by-laws and a management and operating agreement between the Society and the City of Calgary. As part of this agreement, the City provides the Society with annual operating and capital grants. These grants are for the original building only with the operating and capital requirements of the two expanded buildings being the sole responsibility of the Society. The City of Calgary is the owner of the Centre and the land upon which it is located. It provides training, competition facilities and services for the development of Calgary's high performance athletes in dryland and aquatic sports in addition to providing facilities, programs and services for the fitness and recreational sporting needs of the citizens of Calgary.

The City of Calgary replaced the roof structure on the original tented building in 2010 which resulted in a partial closure of Talisman Centre in 2010. The two annex buildings remained open throughout 2010. The City of Calgary was responsible for substantially all costs related to the replacement of the roof system with the Society being responsible to manage and deal with any business disruptions or revenue losses stemming from this project. Although the project was substantially completed by December 31, 2010 the Society believes the project had an impact on operations in 2011. The facility reopened in January 2011 and is fully operational.

### 2 Significant accounting policies

#### Capital assets

Moveable capital assets which are purchased by the Society are recorded at cost and movable capital assets which are donated to the Society are recorded at their fair value at the date of contribution. They are amortized on a straight-line basis over their estimated useful lives as follows:

Athletic equipment	–	3 – 20 years
Office furniture and equipment	–	5 – 30 years
Computer equipment	–	3 – 10 years
Cafe furniture and equipment	–	5 years

Immovable capital assets, which do not become the property of the Society, are expensed in the year of acquisition.

#### Cash and cash equivalents

Cash and cash equivalents include cash and cash equivalents that are highly liquid and readily convertible to known amounts of cash.

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### Donated services

Volunteers contribute a significant number of hours to assist in the management and operation of the Society. Because of the difficulty of determining the fair value of the services contributed, the value of volunteer services is not recorded in these financial statements.

### Financial instruments

The Society has chosen to follow the disclosure requirements of CICA Handbook Section 3861 instead of the new expanded rules set out in Sections 3862 and 3863, in keeping with the options provided in Handbook Section 3862.43(c) and 3863.40(c).

The Society's financial instruments consist of cash and cash equivalents, accounts receivable, investments, donations on deposit with Parks Foundation, Calgary, accounts payable and accrued liabilities, deposits from tenants and long-term debt.

Financial Instruments are initially recognized at fair value on the balance sheet. The Society has classified each financial instrument into the following categories:

<b>Category</b>	<b>Financial Instrument</b>
Loans and receivables	Accounts receivable, Donations on Deposit with Parks Foundation, Calgary
Held for trading	Investments, cash and cash equivalents
Financial liabilities	Accounts payable and accrued liabilities, Deposits from tenants, long-term debt

Subsequent measurement of the financial instruments is based on their classification. Financial loans and receivables and other financial liabilities are measured at cost or amortized cost. Held for trading cash and cash equivalents and investments are measured at fair value with unrealized gains or losses recognized directly in the statement of operations.

Except for the long-term debt, the fair value of these financial instruments approximates their carrying value, due to their short-term nature. The fair value of the long-term debt is \$2,275,171 at December 31, 2011.

The Society is not exposed to undue credit risk. Further, the Society is not exposed to foreign currency, price or liquidity risk.

### Inventory

Inventory of food, beverages and clothing is recorded at the lower of cost and net realizable value.

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### **Non-recording of City property**

The original building complex and its major equipment components were provided from the City of Calgary's capital fund and are the property of the City; therefore they are not recorded in these financial statements. All building additions, improvements and immovable capital assets become the property of the City of Calgary and are expensed in the year incurred.

### **Revenue recognition**

The Society 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 received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Admissions, memberships and programs fees as well as facility booking fees are recorded as revenue over the period that the services are rendered, with the prepaid portion recorded as deferred revenue.

Sponsorships and grants are recognized as revenue over the periods that they relate to in accordance with the terms of the sponsorship or grant agreement.

Capital contributions used for building expansion and improvements and to acquire immovable capital assets which do not become the property of the Society are recorded as revenue in the same year as the expansion, improvement or acquisition is expensed.

Investment income is recorded as investment income revenue when it is earned.

### **Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant estimates include amortization of capital assets, and allowance for doubtful accounts. Actual results may differ from the estimates.

### **Expenses**

Experience Provider expenses includes the costs of programs and services conducted by the aquatics, athletics and wellness departments. Human Resources and Administration expenses include the costs of the human resources, finance and administration departments.

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### 3 Capital assets

			2011	2010
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Athletic equipment	2,057,113	1,417,717	639,396	247,918
Office furniture and equipment	404,833	316,646	88,187	105,186
Computer equipment	317,016	252,291	64,725	61,827
Café furniture and equipment	12,388	12,388	-	-
	<u>2,791,350</u>	<u>1,999,042</u>	<u>792,308</u>	<u>414,931</u>

### 4 Investments

Investments consist predominately of guaranteed investment certificates with various institutions and one provincial bond. The guaranteed investment certificates are cashable prior to their maturity date, subject to an interest penalty. Investments are carried at market value with unrealized gains or losses recognized directly in the statement of operations as investment income. Given the nature of the investments, market values approximate book values.

### 5 Long-term debt

	2011	2010
	\$	\$
10-year loan from the City of Calgary, bearing fixed rate interest at 3.514%, repayable in semi-annual payments of \$179,196 including principal and interest, with a maturity of June 15, 2020.	2,613,836	2,873,514
Less: Amounts due within a year	<u>(268,883)</u>	<u>(259,678)</u>
	<u>2,344,953</u>	<u>2,613,836</u>

The estimated principal repayments are as follows:

	\$
2012	268,883
2013	278,415
2014	288,284
2015	298,504
Thereafter	1,479,750

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### 6 Deferred contributions

In 2005, the Society received an anonymous contribution of \$1,000,000 in exchange for the right to name the fifty meter pool complex constructed in 2003 "The Calgary Foundation Aquaplex". The naming rights are for a term of twenty years. The Society has recorded a portion of the contribution \$50,000 (2010 – \$50,000) as revenue for the year and deferred the balance of \$618,767 (2010 – \$668,767) which will be recognized as revenue on a pro-rata basis over the remaining term of the naming rights.

### 7 Internally restricted for Athletic bursaries

The Lindsay Park Development Foundation ("Foundation") was dissolved on January 1, 2003 and the assets, liabilities and net assets were transferred to the Society. The purpose of the Foundation was to act as a trustee to administer the funds from the Western Canada Summer Games Foundation, together with any other funds received, for the purpose of improving the quality of the services offered at Talisman Centre and assisting the development of athletes training at the Centre.

The Society has agreed to continue the work of the Foundation and accordingly has restricted the net assets received from the Foundation for the purpose of providing bursaries and grants to athletes and Sport Partners training at Talisman Centre.

### 8 Facility Operations

Included in Facility Operations expense are the following utility expenses:

	2011 \$	2010 \$
Electricity	901,985	394,550
Natural Gas	470,884	280,561
Total	<u>1,372,869</u>	<u>675,111</u>

### 9 Disclosure of a significantly influenced entity

Lindsay Park Sports Society exercises significant influence over Swim Educators of Lindsay Park Inc. ("Swim Educators") by virtue of its ability to appoint a majority of the board of directors and to manage the affairs of Swim Educators under the terms of a management contract in effect until December 31, 2012 for a base fee of \$85,000 escalating by 5% per annum.

Swim Educators is a not-for-profit corporation pursuant to the Canada Corporations Act. Its objects are to educate, promote and perpetuate the art, safety and enjoyment of amateur swimming through instruction, training and publication and distribution of teaching and coaching aids and achievement awards.

The Society has advanced \$138,500 to Swim Educators. Effective January 1, 2008 this advance is non-interest bearing and is repayable at the unanimous discretion of the board of directors of Swim Educators.

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The Society also has an outstanding account of \$219,982 (2010 – \$223,026) in accounts receivable for operating advances made to Swim Educators.

The ability of Swim Educators to repay the loan and the outstanding account is uncertain because it is dependent on Swim Educators continuing ability to obtain sponsorship fees and to eventually generate revenue in excess of expenses. Because of the uncertainty of collection, the Society has provided an allowance for doubtful collection of the entire loan and the outstanding account in a prior year.

The Society has included the following operating transactions with Swim Educators in its Statement of Operations:

	2011 \$	2010 \$
Management contract fees earned	98,395	93,710
Swimming activity supplies purchased	12,894	1,965
Contribution to Swim Educators of Lindsay Park	40,000	40,000

## 10 Commitments

### Access Advantage Endowment Agreement

In 2004, an endowment fund named Access Advantage was established at the Parks Foundation Calgary. The income from the endowment allows the Society to provide subsidies and fee assistance to patrons of limited economic means in order to improve their access to Talisman Centre. In a prior year, the endowment fund received from an anonymous donor a donation of \$1,250,000. The Society has agreed to increase the endowment fund to \$3,000,000 by way of contributing at least 15% of its annual excess of revenues over expenses before internal allocations to the Endowment Fund. The contribution from the Society for 2011 was \$107,212 (2010 – \$nil) and has been recorded as an accrued liability and Human Resources and Administration expenses at year end.

	\$
Original endowment donation	1,250,000
Society's contribution – 2005	82,236
Society's contribution – 2006	104,001
Society's contribution – 2007	168,494
Society's contribution – 2008	142,616
Society's contribution – 2009	94,352
Society's contribution – 2010	-
Society's contribution – 2011	107,212
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	1,948,911
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Income related to this endowment amounted to \$86,278 (2010 – \$46,600) and has been included in Donations on Deposit with Parks Foundation, Calgary and was recognized as Naming Rights and Other Sponsorship revenue. Administration fees of \$18,814 (2010 – \$18,343) related to the Endowment Fund were paid to the Parks Foundation, Calgary and were recorded as Human Resources and Administration expenses. The following is a continuity of the Donations on Deposit with the Parks Foundation, Calgary:

	2011 \$	2010 \$
Balance – Beginning of year	51,822	118,578
Contributions	105	5,105
Interest	4	87
Administration charges	(10)	(205)
Payment from (to) the Society	-	(100,000)
Endowment interest	86,278	46,600
Administration charges on Endowment	(18,814)	(18,343)
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Balance – End of year	119,385	51,822

### 11 Energy Contracts

#### a) Gas contract

The Society has a natural gas agreement with Enmax for the period January 1, 2011 to December 31, 2014, to purchase predetermined amounts of gigajoules at predetermined prices.

#### b) Electrical contract

The Society has an electrical agreement with Enmax for the period January 1, 2011 to December 31, 2013, to purchase kilowatts at a predetermined prices.

#### Sponsorship agreement

Effective January 1, 2008 the Society entered into a 5 year sponsorship agreement with Swim Educators for \$40,000 per year for a total sponsorship of \$200,000 conditional upon the contract for management services referred to above (note 9).

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## **12 Capital disclosures**

LPSS defines its capital as the amounts included as net assets on the statement of financial position.

LPSS's objective when managing its capital is to safeguard the Society's ability to continue as a going concern so that it can continue to provide training, competition facilities and services for the development of Calgary's high performance athletes in dryland and aquatic sports in addition to providing facilities, programs and services for the fitness and recreational sporting needs of the citizens of Calgary.

A portion of LPSS's capital is internally restricted for athletic bursaries, as described in note 7. The Society has internal control processes to ensure that the internal restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the year.