

**alberta
creative
hub**

An innovative initiative by:
**CALGARY
ECONOMIC
DEVELOPMENT**

Financial Statements
For the year ended December 31, 2010

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Independent Auditor's Report

To the Board of Directors of The Alberta Creative Hub

We have audited the accompanying financial statements of The Alberta Creative Hub, which comprise the statement of financial position as at December 31, 2010, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Alberta Creative Hub as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 in the financial statements which indicates that the future funding for the entity is uncertain. This condition indicates the existence of a material uncertainty that may cast doubt about the entity's ability to continue as a going concern.

BDO Canada LLP

Chartered Accountants
March 23, 2011

Calgary, Alberta

Statement of Financial Position

December 31

2010

Assets

Current

Cash and cash equivalents	\$ 1,290,262
Accounts receivable (Note 3)	<u>19,763</u>
	\$ 1,310,025

Liabilities

Current

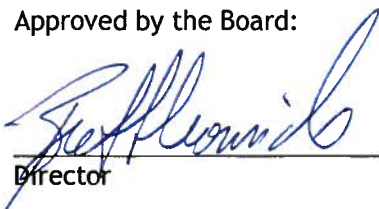
Accounts payable and accrued liabilities (Note 4)	\$ 412,924
Deferred contributions (Note 5)	<u>894,269</u>
	\$ 1,307,193

Net assets

Unrestricted	\$ <u>2,832</u>
	\$ 1,310,025

Nature of operations and going concern (Note 1)

Approved by the Board:



Director



Director

The accompanying notes are an integral part of these financial statements.

Statement of Revenues and Expenditures

For the year ended December 31

2010

Revenues

Contributions from:

City of Calgary	\$ 5,000
Alberta government	380,731
Business community	11,500
Investment income	<u>3,845</u>
	<u>401,076</u>

Expenditures

Program costs	\$ 202,588
Marketing and promotion	124,975
Corporate services	<u>70,681</u>
	<u>398,244</u>

Excess of revenues over expenditures	<u>\$ 2,832</u>
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The accompanying notes are an integral part of these financial statements.

Statement of Changes in Net Assets

For the year ended December 31

2010

	Unrestricted
Balance, beginning of year	\$ -
Excess of revenues over expenditures	<u>2,832</u>
Balance, end of year	<u>\$ 2,832</u>

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

For the year ended December 31

2010

Cash flows from operating activities	
Excess of revenues over expenditures for the year	\$ 2,832
Changes in non-cash working capital balances	
Accounts receivable	(19,763)
Deferred contributions	(380,731)
Accounts payable and accrued liabilities	<u>412,924</u>
	15,262
Cash flows from financing activities	
Contributions	<u>\$ 1,275,000</u>
Net increase in cash and cash equivalents	\$ 1,290,262
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 1,290,262</u>

Cash and cash equivalents consist of:

Cash	\$ 1,418
Money market fund	<u>1,288,844</u>
	\$ 1,290,262

The accompanying notes are an integral part of these financial statements.

December 31, 2010

1. Nature of Operations and Going Concern

The Alberta Creative Hub (the "Company") was incorporated under the Alberta Companies Act on December 17, 2009. The Company is registered as a non-profit organization under the Income Tax Act of Canada, and is exempt from income taxes. The Company is a wholly owned subsidiary of Calgary Economic Development Ltd.

The Company was formed with the primary purpose of supporting the growth and development of the film, television, media and other creative industries. For the year ended December 31, 2009, the Company was inactive, had not commenced its operations and had no assets, liabilities, revenues, or expenses. The Company commenced operations during fiscal 2010. Accordingly, only results for the year ended December 31, 2010 have been presented in the financial statements.

The accompanying financial statements have been prepared on a going concern basis that assumes the Company will be able to realize its assets and discharge its obligations and commitments in the normal course of operations.

The Company received a contribution of \$1,200,000 from the Alberta government during 2010 for start-up costs. By agreement, unspent monies from this grant at March 31, 2011 are repayable by July 29, 2011. The Company is in negotiations with the Alberta government to extend the contract funding term but there is no certainty that an extension will be granted. The continuation of the Company is dependent upon its ability to secure funding from federal, provincial and municipal government sources and contributions from the business community. While the Company has received funds from the Alberta government during the current year for start-up costs, there is no assurance that the Company will be able to obtain adequate contributions in the future. The financial statements do not include any adjustments to the recoverability and classification of recorded assets and liabilities and related revenues and expenditures that might be necessary should the Company be unable to continue.

2. Significant Accounting Policies

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates include the valuation (recoverability) of accounts receivable. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Revenue recognition

The Company follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions for the purchase of property and equipment are deferred and recognized on the same basis as amortization expense of the related asset. Unrestricted contributions are recognized

December 31, 2010

2. Significant Accounting Policies - continued

as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Sponsorships (pledges) are recognized when there is reasonable assurance of the amount to be paid and collection is reasonably assured.

Contributions for program related activities include amounts recovered from events and projects undertaken by the Company alone or with a number of economic partners.

Interest revenue is recognized on a prorata basis over the term of the related deposit or investment.

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, bank balances, money market funds, and investments with original maturities at acquisition of three months or less.

Financial instruments

The following is a summary of the accounting classifications that the Company applies to each of its significant categories of financial instruments:

Cash and cash equivalents.....Designated as held-for-trading
Accounts receivable.....Loans and receivables
Accounts payable and accrued liabilities.....Other financial liabilities

The Company initially measures all of its financial instruments at fair value. Unless otherwise indicated, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. Subsequent measurement and treatment of any gain or loss is recorded as follows:

- Held-for-trading financial assets are measured at fair value at the balance sheet date with any gain or loss recognized immediately in revenues and expenditures. Interest and dividends earned from held-for-trading assets are also included in revenues and expenditures for the year.
- Loans and receivables are measured at amortized cost using the effective interest method, except to recognize an allowance for doubtful accounts. Any gains or losses are recognized in revenues and expenditures.
- Other financial liabilities are measured at amortized cost using the effective interest method.

Transaction costs related to all financial assets and liabilities are recognized as an expense of the period.

Contributed materials and services

The Company receives various contributions in the form of materials or services that it uses to carry out its objectives. Because of the difficulty in determining the fair value of these materials and services the Company does not recognize the amounts in the financial statements.

December 31, 2010

2. Significant Accounting Policies - continued

New accounting pronouncements not yet effective

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Company, are as follows:

In December 2010, the Accounting Standards Board (AcSB) and the Public Sector Accounting Board (PSAB) each issued the accounting and financial reporting requirements for Not-For-Profit Organizations (NPOs). The options available to NPOs will depend on whether or not the NPO meets the definition of a government not-for-profit organization or government business enterprise. The above standards become effective for years beginning on or after January 1, 2012. The Company is currently assessing the impact of this new standard.

3. Accounts Receivable

2010

Accounts receivable relates to the following:

Trade accounts receivable	\$ 5,000
Goods and Services Tax receivable	<u>14,763</u>
	<u>\$ 19,763</u>

Accounts receivable have been recorded at their net realizable value, based on management's best estimate of the recoverable amounts.

4. Accounts Payable and Accrued Liabilities

2010

Accounts payable and accrued liabilities relate to the following:

Trade accounts payable (Note 6)	\$ 397,924
Accrued liabilities	<u>15,000</u>
	<u>\$ 412,924</u>

December 31, 2010

5. Deferred Contributions **2010**

Balance, beginning of year	\$	-
Contributions received		1,275,000
Recognition of deferred contributions		(380,731)
Balance, end of year		<u>\$ 894,269</u>

6. Related Party Balances and Transactions

Related party balances and transactions not otherwise disclosed in these financial statements consist of:

The Company paid management fees of \$46,638 to and received a sponsorship of \$5,000 from its parent company, Calgary Economic Development Ltd. Included in accounts payable is \$396,154 due to the parent company on normal trade terms.

The Company has entered into a management agreement with its parent company that sets out the terms and conditions by which Calgary Economic Development Ltd. is to provide the services of its employees and general day to day administration and management services in connection with the business of the Company.

The Company received \$5,000 in sponsorship revenue from the City of Calgary, its ultimate parent.

All transactions have been recorded at the agreed to exchange amounts that have been negotiated under normal trading conditions and terms.

7. Contingencies

Directors and Officers

Under the terms of the Company's by-laws, the Company indemnifies individuals who have acted at the Company's request to be a director and/or officer of the Company, to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service. The claims covered by such indemnifications are subject to statutory and other legal limitation periods. The nature of the indemnification agreements prevent the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiaries of such indemnification agreements.

December 31, 2010

8. Financial Instruments

As disclosed in the summary of significant accounting policies, the Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to credit risk. The Company manages its exposure to this risk by operating in a manner that minimizes its exposure to the extent practical.

Credit risk

Credit risk is the risk that the Company will incur a financial loss because a contributor or counterparty has failed to discharge an obligation. The Company is exposed to credit risk on its accounts receivable. This risk is somewhat mitigated due to the fact that a significant portion of the accounts receivable is an amount due from the federal government. The Company is also exposed to credit risk as a significant portion of the Company's cash and cash equivalents are held at one chartered bank. As such, the Company is exposed to all the risks of that financial institution.

9. Capital Disclosures

The Company considers its capital to be its unrestricted net assets in the amount of \$2,832 as at December 31, 2010.

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern so that it can offer programs and services. Annual budgets are developed to monitor the sufficiency of the Company's capital.
