

Financial statements of

**Calgary Science Centre and
Creative Kids Museum Society**
(Operating as TELUS Spark)

December 31, 2014

Calgary Science Centre and Creative Kids Museum Society

(Operating as TELUS Spark)

December 31, 2014

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Independent Auditor's Report

To the Members of
Calgary Science Centre and Creative Kids Museum Society
(Operating as TELUS Spark)

We have audited the accompanying financial statements of Calgary Science Centre and Creative Kids Museum Society (Operating as TELUS Spark), which comprise the statement of financial position as at December 31, 2014, the statements of operations, changes in fund balances 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 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.

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 Calgary Science Centre and Creative Kids Museum Society (Operating as TELUS Spark) as at December 31, 2014 and the results of its operations, changes in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Accountants
April 15, 2015

Calgary Science Centre and Creative Kids Museum Society

(Operating as TELUS Spark)

Statement of operations
year ended December 31, 2014

			2014	2013
	Reserve Fund	Operating Fund	Total	Total
	\$	\$	\$	\$
Revenue				
Grants, sponsorships and donations (Note 12)	9,180,941	635,161	9,816,102	10,825,094
Admissions	-	2,299,112	2,299,112	2,590,748
Civic operating grant (Notes 12 and 13)	-	1,948,937	1,948,937	1,909,226
Facility rentals	-	1,685,934	1,685,934	1,488,643
Memberships	-	1,040,050	1,040,050	1,020,551
School programs	-	534,953	534,953	505,792
Parking	-	324,133	324,133	355,238
Dome films	-	300,620	300,620	309,625
Paid programs	-	277,888	277,888	322,947
Retail	-	189,052	189,052	180,754
Other income	19,152	79,102	98,254	817,158
	9,200,093	9,314,942	18,515,035	20,325,776
Expenses				
Amortization	7,896,843	44,283	7,941,126	7,717,275
Compensation	151,227	5,817,060	5,968,287	6,472,948
Facility rentals	-	850,547	850,547	706,126
Professional fees and contract services	120,673	620,737	741,410	952,775
Utilities and maintenance	-	586,064	586,064	600,829
Computer and telecommunications	28,859	465,610	494,469	580,844
Advertising	17	491,866	491,883	575,193
Program costs	66,058	350,056	416,114	467,107
Exhibit and film costs	-	389,925	389,925	288,524
Administration	7,256	308,878	316,134	330,543
Hosting	3,060	67,337	70,397	117,401
	8,273,993	9,992,363	18,266,356	18,809,565
Excess (deficiency) of revenue over expenses	926,100	(677,421)	248,679	1,516,211

The accompanying notes to the financial statements are an integral part of this financial statement.

Calgary Science Centre and Creative Kids Museum Society

(Operating as TELUS Spark)

Statement of changes in fund balances
year ended December 31, 2014

	2014			2013
	Reserve Fund	Operating Fund	Total	Total (Restated - Note 16)
	\$	\$	\$	\$
Fund balances, beginning of year	-	8,597,199	8,597,199	7,080,988
Excess (deficiency) of revenue over expenses	926,100	(677,421)	248,679	1,516,211
Interfund transfer	(926,100)	926,100	-	-
Fund balances, end of year	-	8,845,878	8,845,878	8,597,199

The accompanying notes to the financial statements are an integral part of this financial statement.

Calgary Science Centre and Creative Kids Museum Society

(Operating as TELUS Spark)

Statement of financial position
as at December 31, 2014

	2014	2013 (Restated - Note 16)
	\$	\$
Assets		
Current assets		
Cash	7,368	9,031
Restricted cash (Note 3)	4,300,261	3,394,364
Accounts receivable	329,728	1,090,894
Current portion of contributions receivable (Note 5)	2,183,021	2,243,021
Goods and Services Tax recoverable	22,402	27,060
Prepaid expenses	358,354	410,795
	7,201,134	7,175,165
Long-term assets under construction (Note 4)	-	255,677
Contributions receivable (Note 5)	3,148,347	5,252,831
Tangible capital assets (Note 6)	105,787,676	111,170,464
	116,137,157	123,854,137
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	950,490	1,017,331
Government remittances payable	2,861	-
Deferred revenue	1,062,173	760,933
Current portion of deferred contributions related to tangible capital assets (Notes 8 and 13)	5,893,828	6,417,668
Current portion of deferred contributions related to sponsorships (Note 10)	2,183,021	2,243,021
	10,092,373	10,438,953
Deferred contributions related to tangible capital assets (Notes 8 and 13)	93,800,587	99,319,415
Deferred contributions related to operations (Notes 9 and 13)	249,972	245,739
Deferred contributions related to sponsorships (Note 10)	3,148,347	5,252,831
	107,291,279	115,256,938
Commitments (Note 15)		
Fund balances		
Internally restricted (Note 11)	8,845,878	8,597,199
	116,137,157	123,854,137

The accompanying notes to the financial statements are an integral part of this financial statement.

Calgary Science Centre and Creative Kids Museum Society

(Operating as TELUS Spark)

Statement of cash flows

year ended December 31, 2014

	2014	2013 (Restated - Note 16)
	\$	\$
Operating activities		
Excess of revenue over expenses	248,679	1,516,211
Items not affecting cash		
Amortization	7,941,126	7,717,275
Amortization of deferred contributions related to tangible capital assets (Note 8)	(6,417,668)	(6,488,307)
	1,772,137	2,745,179
Changes in non-cash working capital		
Accounts receivable	761,166	2,429,006
Contributions receivable	2,164,484	3,849,791
Goods and Services Tax recoverable	4,658	29,256
Prepaid expenses	52,441	(170,793)
Accounts payable and accrued liabilities	(66,841)	(761,654)
Government remittances payable	2,861	(48,982)
Deferred revenue	301,240	(49,215)
Deferred contributions related to sponsorships	(2,164,484)	(3,778,651)
Deferred contributions related to operations	4,233	(14,702)
	2,831,895	4,229,235
Investing activities		
Purchase of tangible capital assets	(2,302,661)	(1,026,748)
(Increase) decrease in restricted cash	(905,897)	2,366,175
	(3,208,558)	1,339,427
Financing activities		
Deferred contributions received for tangible capital assets	375,000	1,740,399
Repayment of long-term debt	-	(7,309,605)
	375,000	(5,569,206)
Net decrease in cash	(1,663)	(544)
Cash, beginning of year	9,031	9,575
Cash, end of year	7,368	9,031

The accompanying notes to the financial statements are an integral part of this financial statement.

Calgary Science Centre and Creative Kids Museum Society

(Operating as TELUS Spark)

Notes to the financial statements

December 31, 2014

1. Purpose of the organization

Calgary Science Centre and Creative Kids Museum Society (the "Society"), operating as TELUS Spark, is incorporated under the Societies Act of Alberta. The Society is committed to helping people of all ages including families and students, understand the importance of the arts, science and technology in their lives by providing fun-filled learning experiences. The Society is a registered charity and is therefore exempt from the payment of income taxes under Section 149(1) of the Income Tax Act.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNFP") and, in management's opinion, have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Revenue recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year the related expenses are incurred. Unrestricted funds are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Amounts pledged are recorded when received by the Society or when the amount can be reasonably estimated and the collection is reasonably assured. Donations received in kind are recorded at fair market value determined at the date the donation is made.

Donated tangible capital assets and contributions received towards the purchase of tangible capital assets are deferred and amortized to revenue on the same basis as the related depreciable tangible capital assets are amortized.

Operating grants, admissions, facility rentals, memberships, school programs, parking, paid programs, retail and other income are recognized when the service has been provided, the prices are fixed or determinable and collection is reasonably assured.

Fund accounting

The Reserve Fund is used for future projects and operational requirements. The excess of revenue over expenses in the Reserve Fund is transferred to the Operating Fund each year.

The Operating Fund is used to account for revenue and expenses related to operations, program delivery and administrative activities. The Society restricts the use of portions of its unrestricted fund balances for specific future uses. When incurred, related expenses are charged to the Operating Fund and the balance of internally restricted fund balances is reduced accordingly.

Tangible capital assets

Purchased tangible capital assets are recorded at cost. Donated tangible capital assets are recorded at their fair values at the date of donation. Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows:

Building	40 years
Site improvements	40 years
Exhibits	5 years
Computers	3 years
Furniture and fixtures	3 years

Assets under construction are not amortized until the assets are available for use.

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Notes to the financial statements

December 31, 2014

2. Summary of significant accounting policies (continued)

Tangible capital assets (continued)

Tangible capital assets are tested for impairment whenever events or changes in circumstances indicate that an asset can no longer be used as originally expected and its carrying value may not be fully recoverable. An impairment loss is recognized when and to the extent that management assesses the future useful life of an asset to be less than originally expected.

Financial instruments

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently recorded at fair value. All other financial instruments are recorded at cost or amortized cost, unless management has elected to record at fair value. The Society has not elected to carry any such financial instruments at fair value.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. For all other financial instruments, the transaction costs are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of operations.

With respect to financial assets measured at cost or amortized cost, the Society recognizes in the statement of operations an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in the statement of operations in the period the reversal occurs.

Contributed materials and services

Contributed materials and services are recognized in the financial statements when their fair value can be reasonably estimated and when the Society would have otherwise purchased them. Contribution of time by volunteers is not recorded as an expense as the dollar amount is not reasonably determinable.

Use of estimates

The financial statements have been prepared in conformity with ASNFPO, which require management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. In the opinion of management, these financial statements reflect, within reasonable limits of materiality, all adjustments necessary to present fairly the results for the year presented. Actual results could differ from these estimates. Assumptions are used in estimating the useful life and potential impairment of tangible capital assets, the collectability of accounts and contributions receivable and accrued liabilities. Management reviews its estimates annually based on current available information.

Presentation and reclassification of prior year balances

Some of the prior year's comparative figures have been reclassified to conform to the current year's presentation.

Calgary Science Centre and Creative Kids Museum Society

(Operating as TELUS Spark)

Notes to the financial statements

December 31, 2014

3. Restricted cash

	2014	2013
	\$	\$
Externally restricted	525,463	275,353
Internally restricted	3,774,798	3,119,011
	4,300,261	3,394,364

Externally restricted cash primarily relates to grants and donations received which have specified restrictions. The Society has internally restricted cash to accumulate an operating and project reserve (Note 11).

4. Long-term assets under construction

	2014	2013
	\$	\$
Site improvements	-	138,976
Computers and equipment	-	116,701
	-	255,677

The balance in long-term assets under construction at December 31, 2013 was transferred to tangible capital assets during 2014.

5. Contributions receivable

The outstanding contributions receivable are unsecured, non-interest bearing and expected to be collected over the following periods:

	2014	2013
	\$	\$
2014	-	2,243,021
2015	2,183,021	2,147,163
2016	1,014,025	998,154
2017	513,636	505,995
Thereafter	1,620,686	1,601,519
	5,331,368	7,495,852
Current portion of contributions receivable	2,183,021	2,243,021
Contributions receivable	3,148,347	5,252,831
	5,331,368	7,495,852

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(Operating as TELUS Spark)

Notes to the financial statements

December 31, 2014

6. Tangible capital assets

	2014		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Building	91,642,791	7,065,484	84,577,307
Site improvements	12,105,821	939,629	11,166,192
Exhibits	21,662,721	12,382,643	9,280,078
Computers	491,250	233,519	257,731
Furniture and fixtures	3,887,054	3,380,686	506,368
	129,789,637	24,001,961	105,787,676

	2013		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Building	91,642,791	4,774,414	86,868,377
Site improvements	12,105,821	636,984	11,468,837
Exhibits	19,640,916	8,252,279	11,388,637
Computers	261,600	177,473	84,127
Furniture and fixtures	3,633,298	2,272,812	1,360,486
	127,284,426	16,113,962	111,170,464

7. Bank indebtedness

An overdraft facility has been authorized to a maximum of \$500,000 and bears interest at the bank's prime interest rate per annum. As security, a Canadian chartered bank has a general security agreement covering the assets of the Society. At December 31, 2014, \$Nil was outstanding on the overdraft facility (2013 - \$Nil).

Calgary Science Centre and Creative Kids Museum Society

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Notes to the financial statements

December 31, 2014

8. Deferred contributions related to tangible capital assets

	2014				
	Balance, beginning of year (Restated - Note 16)	Contributions received and receivable	Expended on current acquisitions	Utilization	Balance, end of year
	\$	\$	\$	\$	\$
Deferred contributions related to tangible capital assets	105,737,083	-	375,000	(6,417,668)	99,694,415
Deferred contributions restricted for future period	-	375,000	(375,000)	-	-
	105,737,083	375,000	-	(6,417,668)	99,694,415
	2013				
	Balance, beginning of year (Restated - Note 16)	Contributions received and receivable	Expended on current acquisitions	Utilization	Balance, end of year (Restated - Note 16)
	\$	\$	\$	\$	\$
Deferred contributions related to tangible capital assets	110,484,991	1,690,399	50,000	(6,488,307)	105,737,083
Deferred contributions restricted for future period	-	50,000	(50,000)	-	-
	110,484,991	1,740,399	-	(6,488,307)	105,737,083

Calgary Science Centre and Creative Kids Museum Society

(Operating as TELUS Spark)

Notes to the financial statements

December 31, 2014

8. Deferred contributions related to tangible capital assets (continued)

Deferred contributions related to tangible capital assets

Deferred contributions related to tangible capital assets represent the unamortized contributions received for the purchase of tangible capital assets that have been acquired. Recognition of these amounts as revenue is deferred to periods when the related tangible capital assets are amortized. The contributions are being recognized as revenue on the same basis as the assets acquired are amortized (Note 6). The deferred contributions related to tangible capital assets are expected to be recognized over the following periods:

	2014	2013
	\$	\$
Current	5,893,828	6,417,668
Long-term	93,800,587	99,319,415
	99,694,415	105,737,083

Deferred contributions restricted for future period tangible capital assets and expenditures

Contributions restricted for future period acquisitions of tangible capital assets and expenditures are deferred until the tangible capital assets are acquired, and at that time amortization of the contribution to revenue begins, as described above. Contributions used to fund expenditures are recognized as revenue as funds are expended.

9. Deferred contributions related to operations

Deferred contributions related to operations represent funding received in the current period for future period operations.

	Balance, beginning of year	Contributions received and receivable	Utilization	2014 Balance, end of year
	\$	\$	\$	\$
City of Calgary - Life Cycle contribution	235,089	-	(37,772)	197,317
Casino	10,650	-	(7,995)	2,655
Provincial Operating Grant	-	50,000	-	50,000
	245,739	50,000	(45,767)	249,972

	Balance, beginning of year	Contributions received and receivable	Utilization	2013 Balance, end of year
	\$	\$	\$	\$
City of Calgary - Life Cycle contribution	235,089	-	-	235,089
Casino	25,352	71,705	(86,407)	10,650
	260,441	71,705	(86,407)	245,739

Calgary Science Centre and Creative Kids Museum Society

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Notes to the financial statements

December 31, 2014

10. Deferred contributions related to sponsorships

	2014			
	Balance, beginning of year	Contributions received and receivable	Utilization	Balance, end of year
	\$	\$	\$	\$
Community funding - sponsorships	7,495,852	-	(2,164,484)	5,331,368

	2013			
	Balance, beginning of year	Contributions received and receivable	Utilization	Balance, end of year
	\$	\$	\$	\$
Community funding - sponsorships	11,274,503	-	(3,778,651)	7,495,852

Deferred contributions related to sponsorships are deferred until the fiscal period in which the funds are provided for and accordingly are recognized as revenue in that corresponding period. The deferred contributions related to sponsorships are expected to be recognized, net of commissions, over the following periods:

	2014	2013
	\$	\$
Current	2,183,021	2,243,021
Long-term	3,148,347	5,252,831
	5,331,368	7,495,852

11. Internally restricted funds

The board of directors restricts the balance of \$8,845,878 (2013 - \$8,597,199 (Restated - Note 16)) that is otherwise unrestricted funds at the end of the fiscal year to accumulate an operating reserve. These funds are not available for expenditure without prior approval of the board of directors.

12. Grants, sponsorships and donations

	Reserve Fund	Operating Fund	2014	2013
	\$	\$	\$	\$
The City of Calgary	3,270,408	-	3,270,408	3,320,698
Government of Alberta	1,688,937	-	1,688,937	1,810,420
Government of Canada	999,991	-	999,991	1,034,448
Donations	3,221,605	635,161	3,856,766	4,659,528
	9,180,941	635,161	9,816,102	10,825,094

Calgary Science Centre and Creative Kids Museum Society

(Operating as TELUS Spark)

Notes to the financial statements

December 31, 2014

13. City of Calgary funding

The City of Calgary has requested the following schedule be reported which relates to their annual cash contributions. For accounting purposes, the cash contributions may be recognized as revenue in the year received or deferred and amortized on the same basis as the tangible capital assets that the cash was used for, depending on the terms of the agreement (Note 8).

Operating and life cycle

				2014
	Contributions deferred, beginning of year	Funding	Expenses	Contributions deferred, end of year
	\$	\$	\$	\$
Operations grant				
City of Calgary Operating Grant	-	1,911,166	(1,911,166)	-
City Life Cycle Grant				
Life Cycle Grant	235,089	-	(37,771)	197,318
	235,089	1,911,166	(1,948,937)	197,318
				2013
	Contributions deferred, beginning of year	Funding	Expenses	Contributions deferred, end of year
	\$	\$	\$	\$
Operations grant				
City of Calgary Operating Grant	-	1,909,226	(1,909,226)	-
City Life Cycle Grant				
Life Cycle Grant	235,089	-	-	235,089
	235,089	1,909,226	(1,909,226)	235,089

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Notes to the financial statements

December 31, 2014

13. City of Calgary funding (continued)

For building and capital

				2014
	Contributions deferred, beginning of year	Contributions	Expensed	Contributions deferred, end of year
	\$	\$	\$	\$
City of Calgary Building Grant	16,408,266	-	(2,874,286)	13,533,980
City of Calgary Land Improvement Grant	11,468,837	-	(302,645)	11,166,192
City of Calgary Culture, Parks and Recreation Infrastructure Investment Plan (CPRIP) Grant	-	250,000	(25,000)	225,000
	27,877,103	250,000	(3,201,931)	24,925,172

				2013
	Contributions deferred, beginning of year	Contributions	Expensed	Contributions deferred, end of year
	\$	\$	\$	\$
City of Calgary Building Grant	19,352,370	-	(2,944,104)	16,408,266
City of Calgary Land Improvement Grant	11,643,054	126,450	(300,667)	11,468,837
	30,995,424	126,450	(3,244,771)	27,877,103

14. Financial instruments

Interest rate risk

Interest rate risk refers to adverse consequences of interest rate changes on the Society's cash flows, financial position and interest expense. The Society's long-term contributions receivable are exposed to interest rate changes. The impact of adverse changes in interest rates is not considered material.

Credit risk

The Society is exposed to credit risk to the extent that its donors and customers may experience financial difficulty and would be unable to meet their obligations. However, the Society has a large number of diverse donors and customers, which minimizes concentrations of credit risk.

Liquidity risk

The Society's objective is to have sufficient liquidity to meet its liabilities when due. The Society monitors its cash balances and cash flows generated from operations to meet its requirements.

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Notes to the financial statements

December 31, 2014

15. Commitments

The Society has contracts with vendors for capital projects amounting to approximately \$40,000 relating to the Energy and Innovation Exhibit.

The Society has entered into various operating leases for office equipment, communication services and a future exhibit. The lease expires at various dates from June 2015 to March 2022. Annual payments under the leases are as follows:

	\$
2015	516,702
2016	142,068
2017	62,211
2018	57,298
2019	55,660
Thereafter	94,930
	<u>928,869</u>

16. Restatement

The 2013 opening balances have been restated to adjust the original calculation relating to the long-term sponsorship agreements which was part of the fiscal 2012 restatement. During the finalization of the 2014 financial statements and upon review of the deferred contributions related to tangible capital assets balance, management determined that the original calculation included as part of the 2012 restatement did not take into consideration amounts that had been amortized and recognized as revenue in prior periods. As such, both the January 1, 2013 fund balance and deferred contributions related to tangible capital assets balance has been increased by the amount of \$1,246,513 to match the net book value of assets the deferred contributions relate to.

	January 1, 2013 (As previously reported)	Restatement	January 1, 2013 (As restated)	2013 Results	December 31, 2013 (As restated)
	\$	\$	\$	\$	\$
Statement of changes in fund balances					
Fund balances	8,327,501	(1,246,513)	7,080,988	1,516,211	8,597,199
Statement of financial position					
Deferred contributions related to tangible capital assets	109,238,478	1,246,513	110,484,991	(4,747,908)	105,737,083