

Alberta Foundation for the Arts

Financial Statements

March 31, 2004

**Alberta Foundation for the Arts
Financial Statements
March 31, 2004**

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Auditor's Report

To the Members of the Alberta Foundation for the Arts

I have audited the statement of financial position of the Alberta Foundation for the Arts 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 Foundation'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 my opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation 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.

Alberta Foundation for the Arts
Statement of Operations
Year ended March 31, 2004

	2004		2003
	Budget	Actual	Actual
Revenues			
Internal Government Transfers			
Transfers from the Department of Community Development			
- Operating	\$ 19,034,000	\$ 19,034,000	\$ 16,354,000
- Film Development Program	10,000,000	10,000,000	5,000,000
Investment Income	325,000	208,274	210,623
Other Revenue			
Miscellaneous	60,000	55,029	50,591
Donations of Artworks	100,000	118,422	112,975
	<u>29,519,000</u>	<u>29,415,725</u>	<u>21,728,189</u>
Expenses – Directly Incurred (Note 2(b) and Schedules 1 and 4)			
Arts Promotion	12,616,000	12,517,507	11,191,368
Arts Support	2,886,000	2,827,964	2,299,607
Artist Development	1,950,000	2,134,091	1,440,500
Arts Participation	1,484,000	1,387,339	1,298,756
Administration	342,000	306,795	328,878
Collection, Preservation and Display of Provincial Artworks	250,000	225,883	121,259
	<u>19,528,000</u>	<u>19,399,579</u>	<u>16,680,368</u>
Film Development	<u>10,000,000</u>	<u>10,959,099</u>	<u>3,677,345</u>
	<u>29,528,000</u>	<u>30,358,678</u>	<u>20,357,713</u>
Net Operating Results	<u>\$ (9,000)</u>	(942,953)	1,370,476
Fund Balance, Beginning of Year		<u>2,049,024</u>	<u>678,548</u>
Fund Balance, End of Year		<u>\$ 1,106,071</u>	<u>\$ 2,049,024</u>

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

**Alberta Foundation for the Arts
Statement of Financial Position
As at March 31, 2004**

	2004	2003
Assets		
Cash (Note 3)	\$ 2,936,572	\$ 2,868,996
Accrued Interest	15,207	15,207
Accounts Receivable (Note 4)	2,920	250,541
	2,954,699	3,134,744
Long Term Investments (Note 5)	466,746	466,746
Tangible Capital Assets (Note 6)	54,902	38,546
	\$ 3,476,347	\$ 3,640,036
Liabilities		
Accounts Payable and Accrued Liabilities	\$ 1,903,530	\$ 1,124,266
Equity		
Fund Balance	1,106,071	2,049,024
General Reserve (Note 8)	466,746	466,746
	1,572,817	2,515,770
	\$ 3,476,347	\$ 3,640,036

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

**Alberta Foundation for the Arts
Statement of Cash Flow
Year ended March 31, 2004**

	2004	2003
Operating Transactions		
Net Operating Results	\$ (942,953)	\$ 1,370,476
Non-cash Items		
Amortization of Tangible Capital Assets	9,342	8,569
	(933,611)	1,379,045
Decrease (Increase) in Accounts Receivable	247,621	(229,638)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	779,264	(2,143,579)
Cash Provided by (Applied to) Operating Transactions	93,274	(994,172)
Capital Transactions		
Acquisition of Tangible Capital Assets	(25,698)	-
Cash Applied to Capital Transactions	(25,698)	-
Increase (Decrease) in Cash	67,576	(994,172)
Cash, Beginning of Year	2,868,996	3,863,168
Cash, End of Year	<u>\$ 2,936,572</u>	<u>\$ 2,868,996</u>

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

**Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2004**

Note 1 Authority and Purpose

The Alberta Foundation for the Arts (Foundation) operates under the authority of the *Alberta Foundation for the Arts Act*, Chapter A-19, Revised Statutes of Alberta 2000.

The purposes of the Foundation are:

- To support and contribute to the development of literary, performing, visual and media arts in Alberta;
- To provide both individuals and organizations with opportunities to participate in the arts in Alberta;
- To promote the enjoyment of works of art by Alberta artists;
- To oversee the collection, preservation and display of works of art by Alberta artists; and
- To encourage artists living in Alberta in their work.

The Foundation is a crown agent of the Government 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 Alberta Foundation for the Arts, 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 method of accounting.

Alberta Foundation for the Arts
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.

Unrestricted donations are recognized as revenue 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.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Foundation has primary responsibility and accountability for, as reflected in the Government's budget documents.

Directly incurred expenses include amortization of tangible capital assets.

Grants are recorded as expenses when authorized and when all eligibility criteria have been satisfied.

Incurred by Others

Services contributed by other entities in support of the Foundation are disclosed in Schedule 4.

Artworks

Artworks are not recorded as assets. Purchases of artworks are expensed in the period in which the items are acquired. Donations of artworks and collection items are reported as revenue and expenses at their fair value when fair value can be determined. When fair value cannot be reasonably determined, these donations are recorded at nominal value.

Proceeds from the disposition of artworks can only be used to acquire other items to be added to the collection or for the direct care of existing artworks.

**Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2004**

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

Basis of Financial Reporting (continued)

Assets

Financial assets of the Foundation are limited to financial claims, such as receivables from other organizations.

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

Investments

Investments are recorded at cost. Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss.

Liabilities

Liabilities represent all financial claims payable by the Foundation 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 accrued interest, accounts receivable, accounts payable and accrued liabilities are estimated to approximate their carrying values.

Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2004

Note 3 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 daily cash balance at the average rate of CCITF's earnings, which varies depending on prevailing market interest rates.

	2004	2003
Cash	\$ 3,103,318	\$ 3,035,742
Less Cash Appropriated for Non-Current Use	(166,746)	(166,746)
	\$ 2,936,572	\$ 2,868,996

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

Note 4 Accounts Receivable

	2004		2003	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts Receivable	\$ 2,920	\$ -	\$ 2,920	\$ 250,541

Accounts receivable are unsecured and non-interest bearing.

**Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2004**

Note 5 Long Term Investments

	2004			2003	
	Effective Annual Interest Rate	Cost	Market	Cost	Market
Deposits with Life Insurance Companies, Maturing in 2008 ^(a)	5.125%	\$ 300,000	<u>\$ 300,000</u>	\$ 300,000	<u>\$ 300,000</u>
Cash Appropriated for Non-current Use		<u>166,746</u>		<u>166,746</u>	
		<u>\$ 466,746</u>		<u>\$ 466,746</u>	

^(a) The deposits with life insurance companies can be realized prior to maturity dates only with the payment of penalties.

Note 6 Tangible Capital Assets

	Estimated Useful Life	2004		2003	
		Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer Equipment and Software	4 years	\$ 33,103	\$ (28,103)	\$ 5,000	\$ 10,000
Equipment	10 years	61,381	(11,479)	49,902	28,546
Office Furnishings	7 years	5,533	(5,533)	-	-
		<u>\$ 100,017</u>	<u>\$ (45,115)</u>	<u>\$ 54,902</u>	<u>\$ 38,546</u>

**Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2004**

Note 7 Artworks

The Alberta Foundation for the Arts actively collects visual artworks, which document the Province's significant visual artistic achievement. The collection is accessible to the public and consists of paintings, sculptures, drawings, photographs, ceramics, glass, fibre and prints. At year end, the collection consisted of approximately 7,148 (2003 – 6,939) artworks with an approximate value of \$7,844,000 (2003 – \$7,439,000). During the year, the Foundation purchased 108 (2003 – 110) artworks by Alberta artists at a total cost of \$289,555 (2003 – \$249,955); contributions to the collection included 114 (2003 – 47) artworks with an appraised value of \$117,188 (2003 – \$112,975). There were 13 artwork disposals during the year \$2,237 (2003 – \$1,307).

Note 8 General Reserve

The general reserve has been established by appropriation from the fund balance. The reserve was established for the purpose of retaining an ongoing funding capability. Transfers from the reserve to the operating fund require board approval.

Interest earned on the cash appropriated for the reserve is reported as operating revenue.

Note 9 Commitments

At March 31, 2004, the Foundation has the following commitments relating to program contracts and grants approved but not expended, pending fulfillment of eligibility conditions.

	2004	2003
2003-2004	\$ -	\$ 16,956,908
2004-2005	17,366,338	2,353,246
2005-2006	282,000	-
2006-2007	282,000	-
	\$ 17,930,338	\$ 19,310,154

**Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2004**

Note 10 Honoraria

	2004			2003
	Honoraria ^(a)	Benefits and Allowances ^(b)	Total	Total
Board ^(c)				
Chair	\$ 6,103	\$ -	\$ 6,103	\$ 8,933
Other Members	39,196	-	39,196	33,100
	<u>\$ 45,299</u>	<u>\$ -</u>	<u>\$ 45,299</u>	<u>\$ 42,033</u>

(a) The Foundation has no employees. Staff of the Department of Community Development administers the Foundation. Disclosure of information on their salaries and benefits, a requirement under Treasury Directive 12/98, is included in the financial statements of the Department of Community Development.

(b) No benefits were provided to Board members.

(c) Members appointed to the Foundation are paid honoraria for attending Foundation meetings at rates set by Ministerial Order. They are also paid for sub-committee meetings, to attend out-of-town meetings and for attending to other Foundation duties.

Note 11 Approval of Financial Statements

The financial statements were approved by the Board of Directors.

Alberta Foundation for the Arts
Expenses – Directly Incurred Detailed by Object
Year ended March 31, 2004

	2004		2003
	Budget	Actual	Actual
Grants	\$ 27,643,000	\$ 28,306,680	\$ 18,747,717
Supplies and Services	734,000	968,064	639,465
Supplies and Services from Support Service Arrangements with Related Parties ^(a)	622,000	622,000	557,000
Acquisition of Artworks	350,000	289,555	249,955
Donations of Artworks	100,000	117,188	112,975
Honoraria (Note 10)	70,000	45,299	42,033
Amortization of Tangible Capital Assets	9,000	9,342	8,568
Other	-	550	-
	<u>\$ 29,528,000</u>	<u>\$ 30,358,678</u>	<u>\$ 20,357,713</u>

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

**Alberta Foundation for the Arts
Budget
Year ended March 31, 2004**

	2003-2004 Estimates	Treasury Board Approval ^(a)	2003-2004 Authorized Budget
Revenues			
Internal Government Transfers			
Transfers from the Department of Community			
Development	\$ 29,034,000	\$ -	\$ 29,034,000
Investment Income	325,000	-	325,000
Other Revenue			
Miscellaneous	60,000	-	60,000
Donations of Artworks	100,000	-	100,000
	<u>29,519,000</u>	<u>-</u>	<u>29,519,000</u>
Expenses – Directly Incurred			
Arts Promotion	12,616,000	-	12,616,000
Arts Support	2,886,000	-	2,886,000
Artist Development	1,950,000	-	1,950,000
Arts Participation	1,484,000	-	1,484,000
Administration	342,000	-	342,000
Collection, Preservation and Display of Provincial Artworks	250,000	-	250,000
	<u>19,528,000</u>	<u>-</u>	<u>19,528,000</u>
Film Development	<u>10,000,000</u>	<u>1,000,000</u>	<u>11,000,000</u>
	<u>29,528,000</u>	<u>1,000,000</u>	<u>30,528,000</u>
Net Operating Results	<u>\$ (9,000)</u>	<u>\$ (1,000,000)</u>	<u>\$ (1,009,000)</u>
Capital Investment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

^(a) On November 14, 2003 the Foundation received Treasury Board approval, to access it's fund balance, on a one-time basis, for the Alberta Film Development Program.

Alberta Foundation for the Arts
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 Foundation 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 Foundation had the following transactions with related parties recorded in 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	2004	2003
Revenues				
Transfers from the Department of Community Development				
-Operating	\$ 19,034,000	\$ 16,354,000	\$ -	\$ -
-Film Development	10,000,000	5,000,000	-	-
	<u>\$ 29,034,000</u>	<u>\$ 21,354,000</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses – Directly Incurred				
Grants	\$ 106,145	\$ 125,000	\$ -	\$ -
Other Services	-	-	52,029	42,521
	<u>\$ 106,145</u>	<u>\$ 125,000</u>	<u>\$ 52,029</u>	<u>\$ 42,521</u>
Accounts Receivable	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ -</u>
Accounts Payable	<u>\$ 127,522</u>	<u>\$ 13,066</u>	<u>\$ 6,150</u>	<u>\$ -</u>

The above transactions do not include support service arrangement transactions disclosed in Schedule 1.

The Foundation 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 4.

	Entities in the Ministry		Other Entities	
	2004	2003	2004	2003
Expenses – Incurred by Others				
Accommodation	\$ -	\$ -	\$ 172,234	\$ 185,794
Legal Services	-	-	7,017	83
Other Services	525,611	512,860	-	-
	<u>\$ 525,611</u>	<u>\$ 512,860</u>	<u>\$ 179,251</u>	<u>\$ 185,877</u>

**Alberta Foundation for the Arts
Allocated Costs
Year ended March 31, 2004**

Program	Expenses – Incurred by Others					2003	
	Expenses ^(a)	Accommodation Costs ^(b)	Legal Services ^(c)	Other Services ^(d)	Total Expenses	Total Expenses	Total Expenses
Arts Promotion	\$ 12,517,507	\$ 7,385	-	\$ 167,167	\$ 12,692,059	\$ 11,365,160	
Arts Support	2,827,964	3,914	-	81,721	2,913,599	2,384,517	
Artist Development	2,134,091	5,431	-	125,607	2,265,129	1,568,170	
Arts Participation	1,387,339	4,954	-	107,564	1,499,857	1,410,487	
Administration	306,795	947	-	15,687	323,429	345,328	
Collection, Preservation and Display of Provincial Artworks	225,883	148,730	-	14,287	388,900	291,219	
Film Development	10,959,099	873	7,017	13,578	10,980,567	3,691,569	
	<u>\$ 30,358,678</u>	<u>\$ 172,234</u>	<u>\$ 7,017</u>	<u>\$ 525,611</u>	<u>\$ 31,063,539</u>	<u>\$ 21,056,450</u>	

(a) Expenses – Directly Incurred as per Statement of Operations

(b) Costs shown for Accommodation (includes grants in lieu of taxes) on Schedule 3, allocated by square footage.

(c) Costs shown for Legal Services on Schedule 3, allocated by estimated costs incurred by each program.

(d) Costs shown for Other Services on Schedule 3, allocated by estimated costs incurred by each program.

