

Alberta Foundation for the Arts

Financial Statements

March 31, 2006

**Alberta Foundation for the Arts
Financial Statements
March 31, 2006**

Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 – Expenses – Directly Incurred Detailed by Object

Schedule 2 – Budget

Schedule 3 – Related Party Transactions

Schedule 4 – Allocated Costs

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 (the Foundation) as at March 31, 2006 and the statements of operations and cash flows 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, 2006 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 19, 2006

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, 2006
(thousands of dollars)

	2006		2005
	Budget (Schedule 2)	Actual	Actual
Revenues			
Internal Government Transfers			
Transfers from the Department of Community Development			
- Operating	\$ 19,034	\$ 20,311	\$ 19,034
- Film Development Program	13,500	13,500	13,500
Transfers from the Government of Canada	-	10	-
Investment Income	345	379	187
Other Revenue			
Miscellaneous	60	41	47
Donations of Artworks	145	67	191
	<u>33,084</u>	<u>34,308</u>	<u>32,959</u>
Expenses – Directly Incurred (Note 2(b) and Schedules 1 and 4)			
Arts Promotion	12,734	12,596	12,633
Arts Support	2,677	2,690	2,872
Artist Development	1,792	2,088	1,952
Arts Participation	1,817	2,934	1,492
Administration	320	271	280
Collection, Preservation and Display of Provincial Artworks	250	228	241
	<u>19,590</u>	<u>20,807</u>	<u>19,470</u>
Film Development (Note 11)	<u>13,500</u>	<u>13,345</u>	<u>13,423</u>
	<u>33,090</u>	<u>34,152</u>	<u>32,893</u>
Net Operating Results	<u>\$ (6)</u>	156	66
Fund Balance, Beginning of Year		<u>1,172</u>	<u>1,106</u>
Fund Balance, End of Year		<u>\$ 1,328</u>	<u>\$ 1,172</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, 2006
(thousands of dollars)**

	2006	2005
Assets		
Cash (Note 3)	\$ 2,246	\$ 1,825
Accrued Interest	15	15
Accounts Receivable (Note 4)	22	3
	2,283	1,843
Long Term Investments (Note 5)	467	467
Tangible Capital Assets (Note 6)	38	44
	\$ 2,788	\$ 2,354
Liabilities		
Accounts Payable and Accrued Liabilities	\$ 993	\$ 715
Equity		
Fund Balance	1,328	1,172
General Reserve (Note 8)	467	467
	1,795	1,639
	\$ 2,788	\$ 2,354

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

Alberta Foundation for the Arts
Statement of Cash Flows
Year ended March 31, 2006
(thousands of dollars)

	2006	2005
Operating Transactions		
Net Operating Results	\$ 156	\$ 66
Non-cash Items included in Net Operating Results		
Amortization of Tangible Capital Assets	6	11
	162	77
Increase in Accounts Receivable	(19)	-
Increase (Decrease) in Accounts Payable and Accrued Liabilities	278	(1,189)
Cash Provided by (Applied to) Operating Transactions	421	(1,112)
Increase (Decrease) in Cash	421	(1,112)
Cash, Beginning of Year	1,825	2,937
Cash, End of Year	\$ 2,246	\$ 1,825

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, 2006**

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. These financial statements are prepared in accordance with the following accounting policies that have been established by government for all entities.

(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. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2006

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's operations 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, 2006

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.

Tangible 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 new systems development is \$100,000 and the threshold for all other 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 are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Valuation of Financial Assets and Liabilities

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 and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short-term nature of these instruments.

Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2006

Note 3 Cash (thousands of dollars)

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 appropriate 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.

	2006	2005
Cash	\$ 2,413	\$ 1,992
Less Cash Appropriated for Non-Current Use	(167)	(167)
	\$ 2,246	\$ 1,825

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

Note 4 Accounts Receivable (thousands of dollars)

	2006			2005
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts Receivable	\$ 22	\$ -	\$ 22	\$ 3

Accounts receivable are unsecured and non-interest bearing.

Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2006

Note 5 Long Term Investments (thousands of dollars)

	2006			2005	
	Effective Annual Interest Rate	Cost	Market	Cost	Market
Deposits with Life Insurance Companies, Maturing in 2008 ^(a)	5.125%	\$ 300	<u>\$ 300</u>	\$ 300	<u>\$ 300</u>
Cash Appropriated for Non-current Use		<u>167</u>		<u>167</u>	
		<u>\$ 467</u>		<u>\$ 467</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 (thousands of dollars)

	Estimated Useful Life	2006			2005	
		Cost	Accumulated Amortization	Net Book Value	Net Book Value	Net Book Value
Computer Equipment and Software	4 years	\$ 33	\$ (33)	\$ -	\$ -	\$ -
Equipment	10 years	61	(23)	38	-	44
Office Furnishings	7 years	<u>6</u>	<u>(6)</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 100</u>	<u>\$ (62)</u>	<u>\$ 38</u>	<u>\$ -</u>	<u>\$ 44</u>

**Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2006**

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 7,434 (2005 – 7,381) artworks with an approximate value of \$8,672,000 (2005 – \$8,329,000). During the year, the Foundation purchased 29 (2005 – 147) artworks by Alberta artists at a total cost of \$276,000 (2005 – \$295,150); contributions to the collection included 24 (2005 – 81) artworks with an appraised value of \$66,900 (2005 – \$189,940). There were two artwork dispositions during the year (2005 – Nil).

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 Contractual Obligations (thousands of dollars)

	2006	2005
Grant Agreements	\$ 33,503	\$ 25,643
Service Contracts	282	569
	\$ 33,785	\$ 26,212

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	Grant Agreements	Service Contracts	Total
2007	\$ 20,992	\$ 282	\$ 21,274
2008	12,511	-	12,511
	\$ 33,503	\$ 282	\$ 33,785

Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2006

Note 10 Honoraria (thousands of dollars)

	2006			2005	
	Honoraria ^(a)	Benefits and Allowances ^(b)	Total	Total	
Board ^(c)					
Chair	\$ 5	\$ -	\$ 5	\$ 4	
Other Members	26	-	26	28	
	\$ 31	\$ -	\$ 31	\$ 32	

^(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 03/2004, 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 Subsequent Events

Effective April 1, 2006, the Alberta Film Development Program will be transferred to the Ministry of Economic Development along with a budget of \$13.5 million.

Note 12 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, 2006
(thousands of dollars)

	2006		2005
	Budget	Actual	Actual
Grants	\$ 31,029	\$ 31,932	\$ 30,671
Supplies and Services	643	900	956
Supplies and Services from Support Service			
Arrangements with Related Parties ^(a)	882	882	737
Acquisition of Artworks	325	334	295
Donations of Artworks	145	67	191
Honoraria (Note 10)	60	31	32
Amortization of Tangible Capital Assets	6	6	11
	<u>\$ 33,090</u>	<u>\$ 34,152</u>	<u>\$ 32,893</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, 2006
(thousands of dollars)**

	2005-2006 Estimates	Treasury Board Approval ^(a)	2005-2006 Authorized Budget
Revenues			
Internal Government Transfers			
Transfers from the Department of Community Development			
	\$ 32,534	\$ 1,000	\$ 33,534
Transfers from the Government of Canada			
	-	-	-
Investment Income			
	345	-	345
Other Revenue			
Miscellaneous			
	60	-	60
Donations of Artworks			
	145	-	145
	<u>33,084</u>	<u>1,000</u>	<u>34,084</u>
Expenses – Directly Incurred			
Arts Promotion			
	12,734	-	12,734
Arts Support			
	2,677	-	2,677
Artist Development			
	1,792	-	1,792
Arts Participation			
	1,817	1,000	2,817
Administration			
	320	-	320
Collection, Preservation and Display of Provincial Artworks			
	250	-	250
	<u>19,590</u>	<u>1,000</u>	<u>20,590</u>
Film Development			
	<u>13,500</u>	<u>-</u>	<u>13,500</u>
	<u>33,090</u>	<u>1,000</u>	<u>34,090</u>
Net Operating Results			
	<u>\$ (6)</u>	<u>\$ -</u>	<u>\$ (6)</u>
Capital Investment			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

^(a) Treasury Board approved a transfer of \$1 million from the Department of Community Development for the 2006 Smithsonian Folklife Festival in Washington, D.C. in July 2006.

Alberta Foundation for the Arts
Related Party Transactions
Year ended March 31, 2006
(thousands of dollars)

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	
	2006	2005	2006	2005
Revenues				
Transfers from the Department of Community Development				
-Operating	\$ 20,311	\$ 19,034	\$ -	\$ -
-Film Development	13,500	13,500	-	-
	<u>\$ 33,811</u>	<u>\$ 32,534</u>	<u>\$ -</u>	<u>\$ -</u>
Expenses – Directly Incurred				
Grants	\$ 122	\$ 125	\$ -	\$ -
Other Services	-	-	33	48
	<u>\$ 122</u>	<u>\$ 125</u>	<u>\$ 33</u>	<u>\$ 48</u>
Accounts Receivable	<u>\$ 21</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>
Accounts Payable	<u>\$ 3</u>	<u>\$ 27</u>	<u>\$ -</u>	<u>\$ 8</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 but are disclosed in Schedule 4.

	Entities in the Ministry		Other Entities	
	2006	2005	2006	2005
Expenses – Incurred by Others				
Other Services	\$ 478	\$ 475	\$ -	\$ -
Accommodation	-	-	193	192
Internal Audit	-	-	15	-
Legal	-	-	7	2
	<u>\$ 478</u>	<u>\$ 475</u>	<u>\$ 215</u>	<u>\$ 194</u>

Alberta Foundation for the Arts
Allocated Costs
Year ended March 31, 2006
(thousands of dollars)

Program	2006					2005
	Expenses ^(a)	Other Services ^(b)	Accommodation Costs ^(c)	Internal Audit Services ^(d)	Legal Services ^(e)	Total Expenses
Arts Promotion	\$ 12,596	\$ 145	\$ 7	\$ 3	\$ -	\$ 12,762
Arts Support	2,690	66	4	3	-	2,954
Artist Development	2,088	176	8	3	-	2,275
Arts Participation	2,934	42	3	3	-	2,982
Administration	271	20	4	-	-	295
Collection, Preservation and Display of Provincial Artworks	228	11	166	-	2	407
Film Development	13,345	18	1	3	5	13,372
	<u>\$ 34,152</u>	<u>\$ 478</u>	<u>\$ 193</u>	<u>\$ 15</u>	<u>\$ 7</u>	<u>\$ 34,845</u>
						<u>\$ 33,562</u>

Expenses – Incurred by Others

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

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

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

(d) The Department of Executive Council provides Internal Audit Services. Costs shown for Internal Audit Services on Schedule 3, allocated by estimated costs incurred by each program.

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

