

# **Alberta Foundation for the Arts**

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Financial Statements

March 31, 2002

**ALBERTA FOUNDATION FOR THE ARTS  
FINANCIAL STATEMENTS  
March 31, 2002**

Auditor's Report

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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, 2002 and the statement of operations and the statement of changes in financial position 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, 2002 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Original Signed By Fred Dunn, CA  
Auditor General

Edmonton, Alberta  
May 23, 2002

ALBERTA FOUNDATION FOR THE ARTS  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED MARCH 31, 2002

	2002		2001
	Budget (Schedule 2)	Actual	Actual
<b>Revenues:</b>			
Internal Government Transfers			
Transfers from the Department of Community Development			
- Operating	\$ 16,104,000	\$ 15,880,000	\$ -
- Film development program	5,000,000	5,000,000	-
Contributions from the Lottery Fund			
- Operating	-	-	16,104,000
- Film development program	-	-	5,000,000
Investment income	275,000	295,208	397,321
Other Revenue			
Miscellaneous	30,000	72,396	51,406
Donations of artworks and cash	100,000	387,822	68,250
	<u>21,509,000</u>	<u>21,635,426</u>	<u>21,620,977</u>
<b>Expenses - Directly Incurred (Note 2b and Schedule 1 and 4)</b>			
Arts promotion	11,276,000	11,506,662	11,372,460
Arts participation	2,061,000	1,848,850	1,856,234
Arts support	1,859,000	1,755,817	1,813,366
Artist development	960,000	1,318,920	956,362
Collection, preservation and display of provincial artworks	132,000	80,113	82,217
Administration	225,000	206,632	199,659
	<u>16,513,000</u>	<u>16,716,994</u>	<u>16,280,298</u>
Film development	5,924,000	5,688,292	5,886,209
	<u>22,437,000</u>	<u>22,405,286</u>	<u>22,166,507</u>
Net operating results	<u>\$ (928,000)</u>	(769,860)	(545,530)
Fund balance at beginning of year		<u>1,448,408</u>	<u>1,993,939</u>
Fund balance at end of year		<u>\$ 678,548</u>	<u>\$ 1,448,409</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, 2002

	2002	2001
ASSETS:		
Cash (Note 3)	\$ 3,863,168	\$ 2,551,055
Accrued interest	15,207	15,207
Accounts receivable (Note 4)	20,903	1,392
	3,899,278	2,567,654
Long-term investments (Note 5)	466,746	466,746
Capital assets (Note 6)	47,115	55,683
	\$ 4,413,139	\$ 3,090,083

LIABILITIES AND EQUITY:

Accounts payable and accrued liabilities	\$ 3,267,845	\$ 1,174,928
Equity:		
Fund balance	678,548	1,448,409
General reserve (Note 8)	466,746	466,746
	1,145,294	1,915,155
	\$ 4,413,139	\$ 3,090,083

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

ALBERTA FOUNDATION FOR THE ARTS  
STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEAR ENDED MARCH 31, 2002

	2002	2001
Operating transactions:		
Net operating results	\$ (769,860)	\$ (545,530)
Non-cash items:		
Amortization of capital assets	8,568	977
	(761,292)	(544,553)
Decrease in accrued interest	-	31,064
(Increase) decrease in accounts receivable	(19,511)	714
Increase (decrease) in accounts payable and accrued liabilities	2,092,916	(820,824)
Cash provided by operating transactions	1,312,113	(1,333,599)
Investing transactions:		
Purchases of Capital Assets	-	(55,683)
Cash provided by investing transactions	-	(55,683)
Increase in cash	1,312,113	(1,389,282)
Cash at beginning of year	2,551,055	3,940,337
Cash at end of year	\$ 3,863,168	\$ 2,551,055

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

ALBERTA FOUNDATION FOR THE ARTS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2002

**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**

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

**(a) Reporting Entity**

The reporting entity is the Alberta Foundation for the Arts, which is part of the Ministry of Community Development and for which the Minister of Community Development 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.

ALBERTA FOUNDATION FOR THE ARTS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2002

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

**(b) Basis of Financial Reporting**

Revenues

All revenues are reported on the accrual method of accounting.

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 when it 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 capital assets.

*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. Donated artworks are reported as revenue and expenses at appraised values at the date of acquisition.

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  
FOR THE YEAR ENDED MARCH 31, 2002

**Note 2 (b) 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 accounts receivable, advances, accounts payable and accrued liabilities, and unearned revenues are estimated to approximate their book values.

**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 five 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.

ALBERTA FOUNDATION FOR THE ARTS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2002

**Note 3 Cash (continued)**

	2002	2001
Cash	\$ 4,029,914	\$ 2,717,801
Less cash appropriated for non-current use	(166,746)	(166,746)
	\$ 3,863,168	\$ 2,551,055

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

**Note 4 Accounts Receivable**

	2002		2001	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts receivable	\$ 56,363	\$ (35,460)	\$ 20,903	\$ 1,392

Accounts receivable are unsecured and non-interest bearing.

**Note 5 Long-Term Investments**

	2002			2001	
	Effective Annual Interest Rate	Cost	Market	Cost	Market
Deposits with life insurance companies, maturing in six years <sup>(a)</sup>	5.125%	\$ 300,000	\$300,000	\$300,000	\$300,000
Cash appropriated for non-current use		166,746		166,746	
		\$ 466,746		\$466,746	

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

ALBERTA FOUNDATION FOR THE ARTS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2002

**Note 6 Capital Assets**

	Estimated Useful Life	2002		2001	
		Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment and software	4 years	\$ 77,977	\$ (62,977)	\$ 15,000	\$ 20,000
Equipment	10 years	35,683	(3,568)	32,115	35,683
Office furnishings	7 years	5,533	(5,533)	-	-
		<u>\$ 119,193</u>	<u>\$ (72,078)</u>	<u>\$ 47,115</u>	<u>\$ 55,683</u>

**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 6781 (2001 – 6500) artworks with an approximate value of \$7,072,250 (2001 \$6,466,500). During the year, the Foundation purchased 215 (2001 – 171) artworks by Alberta artists at a total cost of \$216,594 (2001 \$230,029); contributions to the collection included 43 (2001 – 37) artworks with an appraised value of \$387,675 (2001 \$68,250). There was one disposal during the year \$95 (2001 \$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 Commitments**

At March 31, 2002, the Foundation had commitments in the amount of \$11,555,518 (2001 \$12,099,163) for grants approved but not expended, pending fulfillment of eligibility conditions.

ALBERTA FOUNDATION FOR THE ARTS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED MARCH 31, 2002

**Note 10 Honoraria**

	2002			2001
	Honoraria <sup>(a)</sup>	Benefits and Allowances <sup>(b)</sup>	Total	Total
Board <sup>(c)</sup> :				
Chair	\$ 3,512	\$ -	\$ 3,512	\$ 3,403
Other Members	18,267	-	18,267	22,545
	\$ 21,779	\$ -	\$ 21,779	\$ 25,948

- (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 Comparative Figures**

Certain 2001 figures have been reclassified to conform to the 2002 presentation.

**Note 12 Approval of Financial Statements**

The financial statements were approved by the Board of Directors.

ALBERTA FOUNDATION FOR THE ARTS  
EXPENSES - DIRECTLY INCURRED BY OBJECT  
FOR THE YEAR ENDED MARCH 31, 2002

	2002		2001
	Budget	Actual	Actual
Grants	\$ 21,193,000	\$ 20,933,795	\$ 21,092,522
Supplies and services	454,000	410,415	368,922
Supplies and services from Support Service			
Arrangements with Related Parties (a)	406,000	391,000	379,000
Donations of artworks	100,000	387,675	68,250
Acquisition of artworks	250,000	216,594	230,029
Honoraria (Note 10)	30,000	21,779	25,948
Other	-	35,460	859
Amortization	4,000	8,568	977
	<u>\$ 22,437,000</u>	<u>\$ 22,405,286</u>	<u>\$ 22,166,507</u>

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

ALBERTA FOUNDATION FOR THE ARTS  
BUDGET  
FOR THE YEAR ENDED MARCH 31, 2002

Schedule 2

	2001 - 2002 Estimates	Treasury Board Approval <sup>(a)</sup>	2001 - 2002 Authorized Budget
Revenues:			
Internal Government Transfers			
Transfers from the Department of Community Development	\$ 21,104,000	-	\$ 21,104,000
Investment Income	275,000	-	275,000
Other Revenue			-
Miscellaneous	30,000	-	30,000
Donations of artworks	100,000	-	100,000
	21,509,000	-	21,509,000
Expenses - Directly Incurred			
Arts promotion	11,276,000	-	11,276,000
Arts participation	2,061,000	-	2,061,000
Arts support	1,859,000	-	1,859,000
Artist development	960,000	-	960,000
Collection, preservation and display of provincial artworks	132,000	-	132,000
Administration	225,000	-	225,000
	16,513,000	-	16,513,000
Film development	5,924,000	314,000	6,238,000
	22,437,000	314,000	22,751,000
Net operating results	\$ (928,000)	\$ (314,000)	\$ (1,242,000)
Capital Investment	\$ -	\$ -	\$ -

(a) Treasury Board approved a \$314,000 increase for the Film Development Program from the Foundation's fund balance.

(b) The budget was approved by the Board of Directors on June 22, 2001

ALBERTA FOUNDATION FOR THE ARTS  
RELATED PARTY TRANSACTIONS  
FOR THE YEAR ENDED MARCH 31, 2002

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, licenses 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 financial statements at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2002	2001	2002	2001
Revenues:				
Transfers from the Department of Community Development				
- Operating	\$ 15,880,000	\$ -	\$ -	\$ -
- Film development	5,000,000	-	-	-
- Donation of Artworks	174,000			
Transfers from the Lottery Fund				
- Operating	-	-	-	16,104,000
- Film development	-	-	-	5,000,000
	<u>\$ 21,054,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,104,000</u>
Expenses - Directly Incurred				
Grants	\$ 125,000	\$ 92,400	\$ -	\$ -
Other services			37,830	18,689
	<u>\$ 125,000</u>	<u>\$ 92,400</u>	<u>\$ 37,830</u>	<u>\$ 18,689</u>
Payable to	<u>\$ 125,000</u>	<u>\$ 92,400</u>	<u>\$ -</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	
	2002	2001	2002	2001
Expenses - Incurred by Others				
Accommodation	\$ -	\$ -	\$ 172,468	\$ 178,618
Legal services	-	-	360	117
Other services	595,829	549,748	-	-
	<u>\$ 595,829</u>	<u>\$ 549,748</u>	<u>\$ 172,828</u>	<u>\$ 178,735</u>

ALBERTA FOUNDATION FOR THE ARTS  
ALLOCATED COSTS  
FOR THE YEAR ENDED MARCH 31, 2002

Program	2002				2001	
	Expenses <sup>(1)</sup>	Expenses - Incurred by Others			Total Expenses	Total Expenses
		Accommodation Costs	Legal Services	Other Services		
Arts promotion	11,506,662	\$ 7,333	\$ -	\$ 181,490	\$ 11,695,485	\$ 11,547,011
Arts participation	1,848,850	4,306	-	144,804	1,997,960	1,994,597
Arts support	1,755,817	3,799	-	85,504	1,845,120	1,897,180
Artist development	1,318,920	4,523	-	109,525	1,432,968	1,061,242
Collection, preservation and display of provincial artworks	80,113	149,533	-	13,204	242,850	248,276
Administration	206,632	885	360	14,413	222,290	214,037
Film development	5,688,292	2,090	-	46,889	5,737,271	5,932,647
	<u>\$ 22,405,286</u>	<u>\$ 172,469</u>	<u>\$ 360</u>	<u>\$ 595,829</u>	<u>\$ 23,173,944</u>	<u>\$ 22,894,990</u>

(1) Expenses - Directly Incurred as per Statement of Operations.