

**Arts & Heritage Foundation of St. Albert**

**Financial Statements**

**Year Ended December 31, 2014**

**Arts & Heritage Foundation of St. Albert**  
**Index to Financial Statements**  
**Year Ended December 31, 2014**

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## Independent Auditor's Report

To the Members of Arts & Heritage Foundation of St. Albert

### Report on the Financial Statements

We have audited the accompanying financial statements of Arts & Heritage Foundation of St. Albert, which comprise the statement of financial position as at December 31, 2014 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 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 qualified audit opinion.

### Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenue from donations, excess of revenues over expenditures, current assets and net assets.

### Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenue from donations referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of Arts & Heritage Foundation of St. Albert as at December 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Mowbrey Gil LLP*



Edmonton, Alberta  
February 18, 2015

CHARTERED ACCOUNTANTS

**Arts & Heritage Foundation of St. Albert**  
**Statement of Financial Position**  
**December 31, 2014**

|   | 2014              | 2013              |
|---|-------------------|-------------------|
| <b>Assets</b>   |                   |                   |
| <b>Current</b>  |                   |                   |
| Cash (Note 3)   | \$ 186,662        | \$ 85,894         |
| Term deposits (Note 4)  | 26,986            | -                 |
| Accounts receivable (Note 5)  | 16,294            | 35,747            |
| Inventory   | 5,452             | 6,437             |
| Goods and services tax recoverable  | 8,258             | 11,160            |
| Prepaid expenses  | 14,584            | 18,417            |
|   | <u>258,236</u>    | <u>157,655</u>    |
| <b>Furniture and equipment (Note 6)</b>                                   | <u>65,175</u>     | <u>77,922</u>     |
|   | <u>\$ 323,411</u> | <u>\$ 235,577</u> |
| <b>Liabilities and net assets</b>   |                   |                   |
| <b>Current</b>  |                   |                   |
| Accounts payable and accrued liabilities (Note 7)                         | \$ 78,637         | \$ 66,826         |
| Deferred revenue (Note 8)   | 142,358           | 63,843            |
|   | <u>220,995</u>    | <u>130,669</u>    |
| <b>Deferred contributions related to furniture and equipment (Note 9)</b> | <u>10,158</u>     | <u>13,387</u>     |
|   | <u>231,153</u>    | <u>144,056</u>    |
| <b>Net assets</b>   |                   |                   |
| General fund  | 18,897            | 8,642             |
| Capital restoration fund  | 16,049            | 16,049            |
| Asset replacement fund  | 1,888             | 1,888             |
| Special projects fund   | 407               | 407               |
| Invested in capital assets fund   | 55,017            | 64,535            |
|   | <u>92,258</u>     | <u>91,521</u>     |
|   | <u>\$ 323,411</u> | <u>\$ 235,577</u> |

ON BEHALF OF THE BOARD

  
 \_\_\_\_\_ Trustee  
  
 \_\_\_\_\_ Trustee

**Arts & Heritage Foundation of St. Albert**  
**Statement of Revenues and Expenditures**  
**Year Ended December 31, 2014**

|  | 2014             | 2013             |
|--|------------------|------------------|
| <b>Revenues</b>  |                  |                  |
| City of St. Albert - Operating Grant                     | \$ 1,399,060     | \$ 1,402,152     |
| Grants - other   | 177,342          | 223,932          |
| Program and site administration                          | 169,126          | 173,681          |
| Gift shop sales  | 94,054           | 66,633           |
| Donations and fundraising                                | 76,560           | 7,803            |
| Father Lacombe Chapel                                    | 73,850           | 73,800           |
| Art auction  | 15,060           | 20,195           |
| Miscellaneous  | 1,481            | 1,612            |
|  | <b>2,006,533</b> | <b>1,969,808</b> |
| <b>Expenditures</b>                                      |                  |                  |
| Wages, benefits and contracted services                  | 1,359,469        | 1,294,378        |
| Office   | 159,492          | 116,634          |
| Utilities and telephone                                  | 67,929           | 65,064           |
| Rent   | 60,860           | 59,016           |
| Father Lacombe Chapel                                    | 58,517           | 61,171           |
| Exhibition supplies and expenses                         | 58,024           | 47,276           |
| Goods purchased for resale                               | 56,132           | 35,467           |
| Repairs and maintenance                                  | 42,129           | 70,258           |
| Advertising and promotion                                | 37,870           | 30,814           |
| Program supplies and expenses                            | 27,576           | 33,801           |
| Professional fees  | 17,271           | 17,029           |
| Professional development                                 | 17,058           | 7,923            |
| Insurance  | 12,669           | 13,168           |
| Projects   | 12,417           | 82,249           |
| Amortization   | 18,383           | 19,071           |
|  | <b>2,005,796</b> | <b>1,953,319</b> |
| <b>Excess of revenues over expenditures for the year</b> | <b>\$ 737</b>    | <b>\$ 16,489</b> |

**Arts & Heritage Foundation of St. Albert**  
**Statement of Changes in Net Assets**  
**Year Ended December 31, 2014**

|  | General<br>Fund  | Capital<br>Restoration<br>Fund | Asset<br>Replacement<br>Fund | Special<br>Projects<br>Fund | Invested in<br>Capital<br>Assets | 2014<br>Total    | 2013<br>Total    |
|--|------------------|--------------------------------|------------------------------|-----------------------------|----------------------------------|------------------|------------------|
| Balance, beginning of the year                       | \$ 8,642         | \$ 16,049                      | \$ 1,888                     | \$ 407                      | \$ 64,535                        | \$ 91,521        | \$ 75,032        |
| Excess of revenues over<br>expenditures for the year | 737              | -                              | -                            | -                           | -                                | 737              | 16,489           |
| Amortization, net of deferred<br>contributions       | 15,154           | -                              | -                            | -                           | (15,154)                         | -                | -                |
| Capital assets purchased                             | (5,636)          | -                              | -                            | -                           | 5,636                            | -                | -                |
| Interfund transfers (Note 10)                        | -                | -                              | -                            | -                           | -                                | -                | -                |
| <b>Balance, end of year</b>                          | <b>\$ 18,897</b> | <b>\$ 16,049</b>               | <b>\$ 1,888</b>              | <b>\$ 407</b>               | <b>\$ 55,017</b>                 | <b>\$ 92,258</b> | <b>\$ 91,521</b> |

**Arts & Heritage Foundation of St. Albert**  
**Statement of Cash Flows**  
**Year Ended December 31, 2014**

|   | 2014              | 2013             |
|---|-------------------|------------------|
| <b>Operating activities</b>   |                   |                  |
| Excess of revenues over expenditures for the year                               | \$ 737            | \$ 16,489        |
| Item not affecting cash:  |                   |                  |
| Amortization of furniture and equipment, net of amortization of deferred grants | 15,154            | 14,742           |
|   | <u>15,891</u>     | <u>31,231</u>    |
| Changes in non-cash working capital:  |                   |                  |
| Accounts receivable   | 19,453            | (16,500)         |
| Inventory   | 985               | 1,217            |
| Goods and service tax recoverable   | 2,902             | (5,463)          |
| Prepaid expenses  | 3,833             | (5,485)          |
| Accounts payable and accrued liabilities  | 11,811            | (21,533)         |
| Deferred revenue  | 78,515            | 5,104            |
|   | <u>117,499</u>    | <u>(42,660)</u>  |
|   | <u>133,390</u>    | <u>(11,429)</u>  |
| <b>Investing activities</b>   |                   |                  |
| Purchase of furniture and equipment   | (5,636)           | (22,589)         |
| Purchase of term deposits   | (26,986)          | -                |
|   | <u>(32,622)</u>   | <u>(22,589)</u>  |
| <b>Increase (decrease) in cash flow</b>   | <b>100,768</b>    | <b>(34,018)</b>  |
| <b>Cash - beginning of year</b>   | <b>85,894</b>     | <b>119,912</b>   |
| <b>Cash - end of year</b>   | <b>\$ 186,662</b> | <b>\$ 85,894</b> |

# Arts & Heritage Foundation of St. Albert

## Notes to Financial Statements

Year Ended December 31, 2014

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### 1. Nature of operations

Arts & Heritage Foundation of St. Albert ("the Foundation") is a not-for-profit organization incorporated on November 19, 1998 under the Societies Act of Alberta. The Foundation was formed to promote the development and awareness of the visual arts and heritage within the St. Albert community. The Foundation receives 70% (2013 - 71%) of its revenue in the form of an operating grant from the City of St. Albert. The Foundation is a registered charity and qualifies as a non-profit organization within the context of the Income Tax Act; it is therefore exempt from paying income taxes.

### 2. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). The precise determination of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements for a period involves the use of estimates and approximations which have been made using careful judgment. The significant areas requiring management estimate include the allowance for doubtful accounts, the allowance for inventory obsolescence and the estimated useful lives of furniture and equipment. Actual results could differ from those estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized as follows:

#### Cash

Cash consists of demand deposits held with a financial institution.

#### Term deposits

Term deposits are carried at amortized cost.

#### Inventory

The Foundation's inventory is valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

#### Furniture and equipment

Furniture and equipment are stated at cost less accumulated amortization. Furniture and equipment are amortized over their estimated useful lives at the following rates and methods:

|                        |     |                          |
|------------------------|-----|--------------------------|
| Computer equipment     | 30% | declining balance method |
| Furniture and fixtures | 20% | declining balance method |
| Leasehold improvements | 20% | declining balance method |

Contributions received for acquiring furniture and equipment are recorded as deferred contributions and recognized on the same basis and rates as the related fixed assets. The contributions are recorded as revenues under Grants - other.

(continues)



**Arts & Heritage Foundation of St. Albert**  
**Notes to Financial Statements**  
**Year Ended December 31, 2014**

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2. **Summary of significant accounting policies** *(continued)*

**Revenue recognition**

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

**Fund accounting**

The Foundation uses fund accounting to segregate its activities. Interfund transfers are not recognized as revenues and expenditures but rather as changes in fund balances.

The following funds are used:

General Fund - this fund reports the excess of revenues over expenditures for the year.

Capital Restoration Fund - this fund reports the internally restricted balance of funds available for future capital restoration projects.

Asset Replacement Fund - this fund reports the internally restricted balance of funds available for future equipment expenditures.

Special Projects Fund - this fund reports the internally restricted balance of funds available for initiatives and special projects undertaken by the Foundation.

Invested in Capital Assets Fund - this fund reports the net assets invested in furniture and equipment.

**Contributed goods and services**

Volunteers contribute large numbers of hours every year to assist the Foundation in carrying out its service delivery activities. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Contributed goods are recorded at their fair market value at the time of the donation, as long as the goods would otherwise have been purchased by the Foundation in the normal course of operations. During the year, \$14,865 (2013 - \$4,255) of contributed goods were received and recorded in the statement of revenues and expenditures.

**Arts & Heritage Foundation of St. Albert**  
**Notes to Financial Statements**  
**Year Ended December 31, 2014**

**3. Cash**

The Foundation has a line of credit available to a maximum of \$37,000 (2013 - \$37,000) bearing interest at the bank's prime rate plus 4.85% per annum (2013 - prime rate plus 4.85% per annum), calculated and payable monthly and due on demand. The credit facility is unsecured.

At December 31, 2014, the Foundation had undrawn capacity of \$37,000 (2013 - \$37,000) on the line of credit.

Casino funds are restricted to the uses allowed by the Alberta Gaming and Liquor Commission and are required to be held in a separate bank account. The amount of restricted cash at year end is \$23,065 (2013 - \$nil).

**4. Term deposits**

Term deposits consist of Guaranteed Investment Certificates "GICs" which bear interest at 0.20% and mature in December 2015. The interest is payable at maturity.

**5. Accounts receivable**

|                               | 2014      | 2013      |
|-------------------------------|-----------|-----------|
| Other receivables             | \$ 16,294 | \$ 20,857 |
| City of St. Albert receivable | -         | 14,890    |
|                               | \$ 16,294 | \$ 35,747 |

**6. Furniture and equipment**

|                        | Cost       | Accumulated<br>amortization | 2014<br>Net book<br>value | 2013<br>Net book<br>value |
|------------------------|------------|-----------------------------|---------------------------|---------------------------|
| Computer equipment     | \$ 150,451 | \$ 131,989                  | \$ 18,462                 | \$ 19,531                 |
| Furniture and fixtures | 128,562    | 105,888                     | 22,674                    | 28,342                    |
| Leasehold improvements | 79,228     | 55,189                      | 24,039                    | 30,049                    |
|                        | \$ 358,241 | \$ 293,066                  | \$ 65,175                 | \$ 77,922                 |

**7. Accounts payable and accrued liabilities**

|   | 2014      | 2013      |
|---|-----------|-----------|
| Accounts payable and accrued liabilities          | \$ 67,166 | \$ 67,009 |
| Government source deductions payable (receivable) | 11,471    | (183)     |
|   | \$ 78,637 | \$ 66,826 |

**Arts & Heritage Foundation of St. Albert**  
**Notes to Financial Statements**  
**Year Ended December 31, 2014**

**8. Deferred revenue**

The Foundation receives the majority of its funding by way of grants and restricted donations. This funding is deferred and recognized in conjunction with the related expense. The balance at year end consists of the following:

|  | 2014       | 2013      |
|--|------------|-----------|
| Operating grant for public art gallery | \$ 54,023  | \$ 61,577 |
| Weiller Williams project               | 51,439     | -         |
| Alberta museums                        | 25,000     | -         |
| Projects                               | 10,000     | -         |
| Other                                  | 1,896      | 2,266     |
|  | \$ 142,358 | \$ 63,843 |

**9. Deferred contributions related to furniture and equipment**

Deferred contributions related to furniture and equipment represent amounts that are received for the purpose of purchasing furniture and equipment. These contributions are amortized to revenue over the life of the asset purchased. The changes in the deferred contributions balance for the period are as follows:

|                                   | 2014      | 2013      |
|-----------------------------------|-----------|-----------|
| Beginning balance                 | \$ 13,387 | \$ 17,716 |
| Less: amount amortized to revenue | (3,229)   | (4,329)   |
|                                   | \$ 10,158 | \$ 13,387 |

**10. Interfund transfers and internally restricted net assets**

During the year, the Foundation had the following interfund transfers:

- \$5,636 (2013 - \$22,589) was transferred to the Invested in Capital Assets Fund from the General Fund for the purchase of fixed assets that were not funded by external donors.

**Arts & Heritage Foundation of St. Albert**  
**Notes to Financial Statements**  
**Year Ended December 31, 2014**

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**11. Contractual obligations**

The Foundation's total commitment, under various operating leases and a property lease agreement, exclusive of occupancy costs, is as follows:

|            |                   |
|------------|-------------------|
| 2015       | \$ 65,352         |
| 2016       | 35,486            |
| 2017       | 24,211            |
| 2018       | 24,000            |
| 2019       | 24,820            |
| Thereafter | <u>24,820</u>     |
|            | <u>\$ 198,689</u> |

**12. Financial instruments**

Financial instruments are defined as contractual rights to receive or deliver cash or another financial asset. The Foundation's financial instruments consist of recorded amounts of cash, term deposits, accounts receivable and accounts payable and accrued liabilities.

The Foundation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Foundation's risk exposure and concentration as of December 31, 2014.

**Credit risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Foundation is exposed to credit risk from customers. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts and other information. The Foundation is exposed to a concentration of credit risk as one customer comprises 15% (2013 - 42%) of accounts receivable at year end.

**Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation is exposed to this risk mainly in respect of its receipt of funds from the City of St. Albert, its customers and other related sources.

**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Foundation is not exposed to any market risk.

**Arts & Heritage Foundation of St. Albert**  
**Notes to Financial Statements**  
**Year Ended December 31, 2014**

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**13. Additional information to comply with the disclosure requirements of the Alberta Charitable Fundraising Act and Regulations**

|                     | <u>2014</u>      | <u>2013</u>      |
|---------------------|------------------|------------------|
| <b>Income from:</b> |                  |                  |
| Art auction         | <u>\$ 15,060</u> | <u>\$ 20,195</u> |

Expenses incurred for the purpose of soliciting contributions were \$852 (2013 - \$937) for design and material costs. Remuneration paid to employees was \$6,243 (2013 - \$4,569).