

Arts & Heritage Foundation of St. Albert
Financial Statements
Year Ended December 31, 2018



Arts & Heritage Foundation of St. Albert
Index to Financial Statements
Year Ended December 31, 2018

	Page
Independent Auditor's Report	1 - 2
Financial Statements	
Statement of Financial Position	3
Statement of Revenues and Expenditures	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 13



Independent Auditor's Report

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

Qualified Opinion

We have audited the financial statements of Arts & Heritage Foundation of St. Albert (the Foundation), which comprise the statement of financial position as at December 31, 2018, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2018, 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from donations and fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess of revenues over expenditures, and cash flows from operations for the year ended December 31, 2018, current assets and net assets as at December 31, 2018. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation of scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Mowbray Gil LLP

Edmonton, Alberta
February 21, 2019

CHARTERED PROFESSIONAL ACCOUNTANTS



Arts & Heritage Foundation of St. Albert
Statement of Financial Position
December 31, 2018

	2018	2017
Assets		
Current		
Cash (Note 3)	\$ 195,143	\$ 375,994
Term deposit (Note 4)	84,625	84,271
Accounts receivable (Note 5)	82,079	77,764
Inventory	3,735	3,898
Goods and services tax recoverable	7,593	9,934
Prepaid expenses and deposits	110,064	69,766
	483,239	621,627
Furniture and equipment (Note 6)	31,868	35,993
Collections (Note 7)	13	-
	\$ 515,120	\$ 657,620
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 178,304	\$ 170,849
Deferred revenue (Note 9)	116,073	315,856
	294,377	486,705
Deferred contributions related to furniture and equipment (Note 10)	1,467	1,939
	295,844	488,644
Net assets		
General Fund	53,875	39,922
Restricted Funds (Note 11)	135,000	95,000
Invested in Capital Assets Fund	30,401	34,054
	219,276	168,976
	\$ 515,120	\$ 657,620

ON BEHALF OF THE BOARD

 _____ Trustee

 _____ Trustee



Arts & Heritage Foundation of St. Albert
Statement of Revenues and Expenditures
Year Ended December 31, 2018

	2018	2017
Revenues		
City of St. Albert operating grant	\$ 1,724,589	\$ 1,645,838
Other grants	713,016	263,403
Program and site administration	244,440	224,935
Gift shop, art rental & sales, and exhibition sales	128,698	67,616
Donations, fundraising and sponsorship	102,983	170,669
Father Lacombe Chapel	72,200	76,000
Gallery fundraiser	56,743	49,217
Miscellaneous	40,365	6,965
	<u>3,083,034</u>	<u>2,504,643</u>
Expenditures		
Wages, benefits and contracted services	1,649,879	1,514,950
Projects	598,949	120,181
Office	136,962	137,973
Program supplies and expenses	120,458	114,332
Exhibition supplies and expenses	87,128	51,445
Repairs and maintenance	86,822	90,732
Rent	74,669	74,412
Father Lacombe Chapel	66,537	66,713
Advertising and promotion	60,734	146,900
Utilities and telephone	51,198	56,515
Goods purchased for resale	49,126	36,316
Professional fees	15,953	15,119
Professional development	13,090	16,605
Insurance	10,021	9,633
Amortization	11,221	11,362
	<u>3,032,747</u>	<u>2,463,188</u>
Excess of revenues over expenditures from operations	50,287	41,455
Other expenses		
Loss on disposal of furniture and equipment	-	272
Excess of revenues over expenditures for the year	\$ 50,287	\$ 41,183

Arts & Heritage Foundation of St. Albert
Statement of Changes in Net Assets
Year Ended December 31, 2018

	General Fund	Restricted Funds	Invested in Capital Assets Fund	2018	2017
Net assets - beginning of year	\$ 39,922	\$ 95,000	\$ 34,054	\$ 168,976	\$ 127,793
Excess of revenues over expenditures for the year	50,287	-	-	50,287	41,183
Amortization, net of deferred contributions	10,748	-	(10,748)	-	-
Capital assets purchased	(7,095)	-	7,095	-	-
Recognition of collections (Note 7)	13	-	-	13	-
Interfund transfers (Note 11)	(40,000)	40,000	-	-	-
Net assets - end of year	\$ 53,875	\$ 135,000	\$ 30,401	\$ 219,276	\$ 168,976



Arts & Heritage Foundation of St. Albert

Statement of Cash Flows Year Ended December 31, 2018

	2018	2017
Operating activities		
Excess of revenues over expenditures for the year	\$ 50,287	\$ 41,183
Items not affecting cash:		
Amortization, net of deferred contributions	10,748	10,642
Loss on disposal of furniture and equipment	-	272
	61,035	52,097
Changes in non-cash working capital:		
Accounts receivable	(4,315)	(133)
Inventory	163	136
Goods and services tax recoverable	2,341	(9,675)
Prepaid expenses and deposits	(40,298)	(38,367)
Accounts payable and accrued liabilities	7,455	65,199
Deferred revenue	(199,783)	119,553
	(234,437)	136,713
	(173,402)	188,810
Investing activity		
Purchase of furniture and equipment	(7,095)	(13,880)
Increase (decrease) in cash flow	(180,497)	174,930
Cash - beginning of year	460,265	285,335
Cash - end of year	\$ 279,768	\$ 460,265
Cash consists of:		
Cash	\$ 195,143	\$ 375,994
Term deposit	84,625	84,271
	\$ 279,768	\$ 460,265

Arts & Heritage Foundation of St. Albert

Notes to Financial Statements

Year Ended December 31, 2018

1. Purpose of the Foundation

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 56% (2017 - 65%) 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 not-for-profit organization within the context of the Income Tax Act, Canada; the Foundation 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.

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

Leasehold improvements	20%	declining balance method
Computer equipment	55%	declining balance method
Equipment	20%	declining balance method
Furniture and fixtures	20%	declining balance method

Contributions received for acquiring furniture and equipment are recorded as deferred contributions and are recognized on the same basis and rates as the related furniture and equipment. The contributions are recorded as revenue under miscellaneous.

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Arts & Heritage Foundation of St. Albert

Notes to Financial Statements

Year Ended December 31, 2018

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

Collections

The final version of ASNPO 4441 was issued in March 2018 as a complete standard including the requirements for accounting for collections held. The standard has a mandatory effective date for periods beginning on or after January 1, 2019, with retrospective application and early adoption permitted. The Foundation has chosen to early adopt this standard for its December 31, 2018 year end.

Collections held by the Foundation are recorded at nominal value and are not amortized. While the fair value of the collections are anticipated to be greater than the nominal value that they are recorded at, the collections are not resources that are directly available to meet the financial obligations of the Foundation by conversion into currency or as security to raise monetary loans. Proceeds from the sale of any collections can only be used for the care and development of the collection.

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.

Invested in capital assets fund - this fund reports the net assets invested in furniture and equipment.

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

Information technology fund - this fund reports the internally restricted balance of funds available for future information technology expenditures and information technology related projects, at the recommendation of the Executive Director to the Board of Trustees.

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

Management fund - this fund reports the internally restricted balance of funds available for future non-routine transactions, at the recommendation of the Executive Director to the Board of Trustees.

Board contingency fund - this fund reports the internally restricted balance of funds available to protect the Board of Trustees against any potential or unforeseen liabilities for which they might be held liable, at the recommendation of the Executive Director to the Board of Trustees.

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.

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Arts & Heritage Foundation of St. Albert

Notes to Financial Statements

Year Ended December 31, 2018

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

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, \$68,354 (2017 - \$147,452) of contributed goods were received and recorded in the statement of revenues and expenditures.

Impairment of long lived assets

The Foundation tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the Statement of Revenues and Expenditures. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the Statement of Revenues and Expenditures.

3. Cash

The Foundation has a line of credit available to a maximum of \$37,000 (2017 - \$37,000) bearing interest at the bank's prime rate plus 4.85% per annum (2017 - prime rate plus 4.85% per annum), calculated and payable monthly and due on demand. The credit facility is unsecured.

At December 31, 2018, the Foundation had undrawn capacity of \$37,000 (2017 - \$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 \$nil (2017 - \$19,391).

Arts & Heritage Foundation of St. Albert

Notes to Financial Statements

Year Ended December 31, 2018

4. Term deposit

Term deposit consists of a redeemable guaranteed investment certificate with internally restricted use by the General Fund, Capital Restoration Fund, Asset Replacement Fund, Information Technology Fund, and/or Board Contingency Fund. The guaranteed investment certificate matures in October 2019 and earns interest at a rate of 0.50% per annum.

5. Accounts receivable

	2018	2017
City of St. Albert receivable	\$ 52,544	\$ 12,549
Other receivables	19,676	22,373
Alberta Historical Resources Fund grant	9,859	-
CFEP grant	-	42,842
	\$ 82,079	\$ 77,764

6. Furniture and equipment

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Leasehold improvements	\$ 59,570	\$ 50,360	\$ 9,210	\$ 11,513
Computer equipment	46,106	38,299	7,807	5,916
Equipment	10,480	2,935	7,545	9,432
Furniture and fixtures	65,683	58,377	7,306	9,132
	\$ 181,839	\$ 149,971	\$ 31,868	\$ 35,993

7. Collections

The Foundation's thirteen collections include rare and unique artifacts, textual records, photographs, audio-visual records, digital records, maps and books that support the mission statement of the Foundation and are preserved. The collections are accessioned and held with a view to permanency and not for the purpose of eventual disposal.

There was one new collection acquired during the year. All other collections were previously held and have been recognized through an adjustment to the General Fund. There are no disposals, write-downs or expenditures on collection items in the year.

Arts & Heritage Foundation of St. Albert
Notes to Financial Statements
Year Ended December 31, 2018

8. Accounts payable and accrued liabilities

	2018	2017
Accounts payable and accrued liabilities	\$ 163,011	\$ 156,788
Government source deductions payable	15,293	14,061
	\$ 178,304	\$ 170,849

9. 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:

	Opening	Funds received	Recognized in revenue	Closing
Operating grant for public art gallery	\$ 33,957	\$ 95,716	\$ 60,065	\$ 69,608
Alberta Museums Association	-	31,500	6,500	25,000
Weiller Williams project	42,192	-	31,530	10,662
Other	10,465	-	5,669	4,796
Projects	9,851	11,210	17,254	3,807
Beryl Madden	-	2,200	-	2,200
Community Facility Enhancement Program ("CFEP")	200,000	-	200,000	-
Casino funds	19,391	-	19,391	-
Government of Canada	-	34,000	34,000	-
Canada Cultural Spaces Fund ("CCSF")	-	307,439	307,439	-
	\$ 315,856	\$ 482,065	\$ 681,848	\$ 116,073

The CFEP, CCSF, and Government of Canada grants related to the Gallery Barrier Free Project and were used in the current year. The Gallery is expected to open in February 2019.

10. 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 change in the deferred contributions balance for the year is as follows:

	2018	2017
Beginning balance	\$ 1,939	\$ 2,659
Less: amount amortized to revenue	(472)	(720)
	\$ 1,467	\$ 1,939

Arts & Heritage Foundation of St. Albert
Notes to Financial Statements
Year Ended December 31, 2018

11. Restricted Funds and interfund transfers

During the year, \$7,095 (2017 - \$13,880) 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.

During the year, the Board approved the transfer of net assets from the General Fund to multiple existing funds. The transfers were as follows:

	Opening	Interfund transfers	Closing
Capital Restoration Fund	\$ 20,000	\$ 30,000	\$ 50,000
Asset Replacement Fund	25,000	-	25,000
Information Technology Fund	25,000	-	25,000
Management Fund	12,500	5,000	17,500
Board Contingency Fund	12,500	5,000	17,500
	\$ 95,000	\$ 40,000	\$ 135,000

12. Contractual obligations

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

2019	\$ 48,055
2020	39,052
2021	649
2022	649
2023	485
	\$ 88,890

13. 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 deposit, 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, 2018.

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Arts & Heritage Foundation of St. Albert

Notes to Financial Statements

Year Ended December 31, 2018

13. Financial instruments *(continued)*

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 funders. The Foundation is exposed to a concentration of credit risk as one funder comprises 64% (2017 - two funders comprised 71%) 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, members, funders 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 only exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Foundation is exposed to interest rate risk on its interest-bearing term deposit.

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

	2018	2017
Revenues		
In-kind art contributions received	\$ 18,452	\$ 19,308
Donations received at the event	15,057	10,414
Silent auction proceeds	8,197	8,340
Sponsorship	7,298	940
Ticket and token sales	6,710	9,275
Bar revenue	1,030	940
Advertising sponsorship	-	2,110
Expenditures		
In-kind art contributions received	18,452	19,308
Sponsorship	7,298	-
Remuneration paid to employees	2,621	2,700
Food and beverages	1,580	2,251
Complimentary tickets	1,435	2,610
Design and materials	968	1,612
Ticketing fees	343	237
Honorariums	300	-
Entertainment	150	218

