

**Arts & Heritage Foundation of St. Albert**  
**Financial Statements**  
**Year Ended December 31, 2019**



**Arts & Heritage Foundation of St. Albert**  
**Index to Financial Statements**  
**Year Ended December 31, 2019**

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## 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, 2019, 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, 2019, 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, 2019, current assets and net assets as at December 31, 2019. Our audit opinion on the financial statements for the year ended December 31, 2018 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 20, 2020

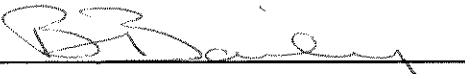
CHARTERED PROFESSIONAL ACCOUNTANTS

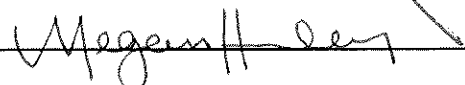


**Arts & Heritage Foundation of St. Albert**  
**Statement of Financial Position**  
**December 31, 2019**

	2019	2018
<b>Assets</b>		
<b>Current</b>		
Cash (Note 3)	\$ 303,537	\$ 195,143
Term deposit (Note 4)	85,213	84,625
Accounts receivable (Note 5)	25,829	82,079
Inventory	4,946	3,735
Goods and services tax recoverable	6,311	7,593
Prepaid expenses and deposits	39,369	110,064
	465,205	483,239
Furniture and equipment (Note 6)	39,517	31,868
Collections (Note 7)	13	13
	\$ 504,735	\$ 515,120
<b>Liabilities and net assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 104,779	\$ 178,304
Deferred revenue (Note 9)	140,111	116,073
	244,890	294,377
Deferred contributions related to furniture and equipment (Note 10)	9,209	1,467
	254,099	295,844
<b>Net assets</b>		
General Fund	47,504	53,875
Restricted Funds (Note 11)	172,824	135,000
Invested in Capital Assets Fund	30,308	30,401
	250,636	219,276
	\$ 504,735	\$ 515,120

ON BEHALF OF THE BOARD

 Trustee

 Trustee



**Arts & Heritage Foundation of St. Albert**  
**Statement of Revenues and Expenditures**  
**Year Ended December 31, 2019**

	2019	2018
<b>Revenues</b>		
City of St. Albert operating grant	\$ 1,758,805	\$ 1,724,589
Program and site administration	311,198	244,880
Other grants	247,843	713,016
Donations, fundraising and sponsorship	102,883	159,726
Gift shop, art rental & sales, and exhibition sales	97,611	128,258
Father Lacombe Chapel	76,000	72,200
Miscellaneous	17,417	40,365
	<u>2,611,757</u>	<u>3,083,034</u>
<b>Expenditures</b>		
Wages, benefits and contracted services	1,683,514	1,649,879
Office	145,840	136,962
Program supplies and expenses	122,304	120,777
Projects	102,921	598,949
Repairs and maintenance	86,919	86,822
Rent	77,702	74,669
Father Lacombe Chapel	70,123	66,537
Exhibition supplies and expenses	65,819	86,809
Advertising and promotion	56,416	60,734
Utilities and telephone	54,457	51,198
Goods purchased for resale	51,542	49,126
Professional fees	17,156	15,953
Insurance	11,655	10,021
Amortization	11,432	11,221
Professional development	9,413	13,090
	<u>2,567,213</u>	<u>3,032,747</u>
<b>Excess of revenues over expenditures from operations</b>	<u>44,544</u>	<u>50,287</u>
<b>Other expenses</b>		
Expenditures incurred with restricted funds (Note 11)	12,176	-
Loss on disposal of furniture and equipment	1,008	-
	<u>13,184</u>	<u>-</u>
<b>Excess of revenues over expenditures for the year</b>	<u>\$ 31,360</u>	<u>\$ 50,287</u>

**Arts & Heritage Foundation of St. Albert**  
**Statement of Changes in Net Assets**  
**Year Ended December 31, 2019**

	General Fund	Restricted Funds	Invested in Capital Assets Fund	2019	2018
<b>Net assets - beginning of year</b>	\$ 53,875	\$ 135,000	\$ 30,401	\$ 219,276	\$ 168,976
Excess of revenues over expenditures for the year	31,360	-	-	<b>31,360</b>	50,287
Amortization, net of write-offs and deferred contributions	11,282	-	(11,282)	-	-
Capital assets purchased net of deferred contributions	(11,189)	-	11,189	-	-
Recognition of collections <i>(Note 7)</i>	-	-	-	-	13
Interfund transfers <i>(Note 11)</i>	(37,824)	37,824	-	-	-
<b>Net assets - end of year</b>	<b>\$ 47,504</b>	<b>\$ 172,824</b>	<b>\$ 30,308</b>	<b>\$ 250,636</b>	<b>\$ 219,276</b>

**Arts & Heritage Foundation of St. Albert**  
**Statement of Cash Flows**  
**Year Ended December 31, 2019**

	2019	2018
<b>Operating activities</b>		
Excess of revenues over expenditures for the year	\$ 31,360	\$ 50,287
Items not affecting cash:		
Amortization, net of deferred contributions	10,274	10,748
Loss on disposal of furniture and equipment	1,008	-
	<u>42,642</u>	<u>61,035</u>
Changes in non-cash working capital:		
Accounts receivable	56,250	(4,315)
Inventory	(1,211)	163
Goods and services tax recoverable	1,282	2,341
Prepaid expenses and deposits	70,695	(40,298)
Accounts payable and accrued liabilities	(73,525)	7,455
Deferred revenue	24,038	(199,783)
	<u>77,529</u>	<u>(234,437)</u>
	<u>120,171</u>	<u>(173,402)</u>
<b>Investing activities</b>		
Purchase of furniture and equipment	(20,199)	(7,095)
Purchase of term deposits	(588)	(354)
	<u>(20,787)</u>	<u>(7,449)</u>
<b>Financing activity</b>		
Deferred contributions received for furniture and equipment	9,010	-
<b>Increase (decrease) in cash flow</b>	<b>108,394</b>	<b>(180,851)</b>
<b>Cash - beginning of year</b>	<b>195,143</b>	<b>375,994</b>
<b>Cash - end of year</b>	<b>\$ 303,537</b>	<b>\$ 195,143</b>



# Arts & Heritage Foundation of St. Albert

## Notes to Financial Statements

Year Ended December 31, 2019

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### 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 67% (2018 - 56%) 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:

Furniture and fixtures	20%	declining balance method
Leasehold improvements	20%	declining balance method
Equipment	20%	declining balance method
Computer equipment	55%	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, 2019**

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

**Collections**

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.

*(continues)*

**Arts & Heritage Foundation of St. Albert**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

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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, \$34,875 (2018 - \$68,354) 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 (2018 - \$37,000) bearing interest at the bank's prime rate plus 4.85% per annum (2018 - prime rate plus 4.85% per annum), calculated and payable monthly and due on demand. The credit facility is unsecured.

At December 31, 2019, the Foundation had undrawn capacity of \$37,000 (2018 - \$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 \$22,481 (2018 - \$nil).

**Arts & Heritage Foundation of St. Albert**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

**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 2020 and earns interest at a rate of 1.50% per annum.

**5. Accounts receivable**

	2019	2018
Other receivables	\$ 17,350	\$ 19,676
City of St. Albert receivable	8,479	52,544
Alberta Historical Resources Fund grant	-	9,859
	\$ 25,829	\$ 82,079

**6. Furniture and equipment**

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Furniture and fixtures	\$ 79,240	\$ 58,960	\$ 20,280	\$ 7,306
Leasehold improvements	59,570	52,202	7,368	9,210
Equipment	10,480	4,444	6,036	7,545
Computer equipment	34,952	29,119	5,833	7,807
	\$ 184,242	\$ 144,725	\$ 39,517	\$ 31,868

**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 were no new collections acquired during the year. All collections were previously held. There are no disposals, write-downs or expenditures on collection items in the year.

**8. Accounts payable and accrued liabilities**

	2019	2018
Accounts payable and accrued liabilities	\$ 90,244	\$ 163,011
Government source deductions payable	14,535	15,293
	\$ 104,779	\$ 178,304

**Arts & Heritage Foundation of St. Albert**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

**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	\$ 69,608	\$ 124,769	\$ 122,269	\$ 72,108
Alberta Museums Association	25,000	40,573	30,973	34,600
Casino funds	-	24,494	2,013	22,481
Projects	3,807	19,690	15,846	7,651
Beryl Madden	2,200	1,817	2,023	1,994
Other	4,796	10,096	13,615	1,277
Weiller Williams project	10,662	-	10,662	-
	<b>\$ 116,073</b>	<b>\$ 221,439</b>	<b>\$ 197,401</b>	<b>\$ 140,111</b>

**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:

	2019	2018
Beginning balance	\$ 1,467	\$ 1,939
Add: restricted grant contributions, net write-offs	9,010	-
Less: amount amortized to revenue	(1,268)	(472)
	<b>\$ 9,209</b>	<b>\$ 1,467</b>

**Arts & Heritage Foundation of St. Albert**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

**11. Restricted Funds and interfund transfers**

During the year, \$11,189 (2018 - \$7,095) 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 as well as the transfer of net assets from the restricted funds to the General Fund. The transfers were as follows:

	Opening	Interfund transfers	Fund utilization	Closing
Capital Restoration Fund	\$ 50,000	\$ 50,000	\$ (4,000)	\$ 96,000
Information Technology Fund	25,000	-	(2,250)	22,750
Asset Replacement Fund	25,000	-	(5,926)	19,074
Board Contingency Fund	17,500	-	-	17,500
Management Fund	17,500	-	-	17,500
	<u>\$ 135,000</u>	<u>\$ 50,000</u>	<u>\$ (12,176)</u>	<u>\$ 172,824</u>

**12. Contractual obligations**

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

2020	\$ 55,869
2021	44,122
2022	44,122
2023	43,419
2024	43,419
Thereafter	164,704
	<u>\$ 395,655</u>

**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, 2019.

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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 33% (2018 - one funder comprised 64%) 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.

**Arts & Heritage Foundation of St. Albert**  
**Notes to Financial Statements**  
**Year Ended December 31, 2019**

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

	2019	2018
<b>Revenues</b>		
Donations received at the event	\$ 25,114	\$ 19,591
Ticket and token sales	7,257	6,710
Bar revenue	5,254	2,789
Truck fees	4,550	3,500
Silent auction proceeds	1,441	8,197
In-kind art contributions received	860	18,452
Programming proceeds	401	-
Sponsorship	82	8,370
Raffle tickets	-	3,290
Activity revenues	-	198
<b>Expenditures</b>		
Remuneration paid to employees	11,626	10,109
Food and beverages	5,995	3,131
Complimentary tickets	2,875	1,435
Entertainment	2,600	1,073
Design and materials	2,020	975
Fencing and portable toilets	1,076	1,445
In-kind art contributions received	860	18,452
Volunteer appreciation	430	461
Ticketing fees	292	343
Programming and activity costs	207	-
Honorariums	100	300
Raffle ticket payout	-	1,645
Sponsorship	-	8,370

**15. Comparative figures**

Some of the comparative figures have been reclassified to conform to the presentation adopted in the current year. The reclassification of certain balances has no impact on net assets.