

**CALGARY ARTS DEVELOPMENT AUTHORITY LTD.**

**Financial Statements**

**December 31, 2014**

**CALGARY ARTS DEVELOPMENT AUTHORITY LTD.**  
**Index to Financial Statements**  
**For the Year Ended December 31, 2014**

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## INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors of Calgary Arts Development Authority Ltd.:

We have audited the accompanying financial statements of Calgary Arts Development Authority Ltd., which comprise the statement of financial position as at December 31, 2014, and the statements of operations, changes in net assets and cash flows for the year 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 public sector 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 audit opinion.

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Independent Auditor's Report to the Board of Directors of Calgary Arts Development Authority Ltd.:  
(continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Calgary Arts Development Authority Ltd. as at December 31, 2014, and the results of its operations and its cash flows for the year ended December 31, 2014 in accordance with Canadian public sector accounting standards for not-for-profit organizations.



Calgary, Alberta  
April 17, 2015

*Calvista LLP*  
Professional Accountants

**CALGARY ARTS DEVELOPMENT AUTHORITY LTD.**  
**Statement of Financial Position**  
**As at December 31, 2014**

	2014	2013
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 74,283	\$ 495,574
Short term investment (Note 3)	450,472	50,097
Accounts receivable	7,600	205,541
Goods and services tax receivable	11,650	19,081
Prepaid expenses	38,901	41,315
Refundable deposits	12,326	17,740
	<u>\$ 595,232</u>	<u>\$ 829,348</u>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 134,566	\$ 71,367
Grant commitments (Note 5)	277,191	585,322
Deferred contributions	14,432	-
	<u>426,189</u>	<u>656,689</u>
<b>Net assets</b>		
Internally restricted (Note 6)	<u>169,043</u>	<u>172,659</u>
	<u>\$ 595,232</u>	<u>\$ 829,348</u>

**ON BEHALF OF THE BOARD**

 Director  
 Director

**CALGARY ARTS DEVELOPMENT AUTHORITY LTD.****Statement of Operations****For the Year Ended December 31, 2014**

	2014	2013
<b>Revenue</b>		
City of Calgary	\$ 5,441,292	\$ 5,440,715
Revenue from other sources (Note 7)	742,082	932,768
Miscellaneous income (Note 8)	127,451	115,035
Interest income	18,825	16,904
Rent income	8,000	-
Amortization of deferred contributions related to capital assets	-	9,417
	<u>6,337,650</u>	<u>6,514,839</u>
<b>Expenses</b>		
Grant expenses - City of Calgary	4,268,339	4,187,019
Salaries and employee benefits	723,102	778,150
Grant expenses from other sources (Note 9)	670,521	916,322
Consulting and project management	227,479	184,399
Rent	132,592	102,605
Catering and hosting	118,291	123,019
Professional fees	59,726	38,984
Advertising and promotion	39,906	53,006
Volunteer development	34,290	21,438
Office supplies	22,261	27,909
Artist and speaker fees	15,260	2,217
Travel and parking	14,312	8,704
Telecommunications	9,886	17,227
Bank charges	4,273	4,049
Miscellaneous	1,028	1,740
Amortization	-	9,417
	<u>6,341,266</u>	<u>6,476,205</u>
<b>Excess (deficiency) of revenue over expenses</b>	<u>\$ (3,616)</u>	<u>\$ 38,634</u>

**CALGARY ARTS DEVELOPMENT AUTHORITY LTD.**  
**Statement of Changes in Net Assets**  
**For the Year Ended December 31, 2014**

	Internally restricted (Note 6)	Unrestricted	2014	2013
<b>Net assets - beginning of year</b>	<b>\$ 172,659</b>	<b>\$ -</b>	<b>\$ 172,659</b>	<b>\$ 134,025</b>
Excess (deficiency) of revenue over expenses	-	(3,616)	(3,616)	38,634
Interfund transfer	(3,616)	3,616	-	-
<b>Net assets - end of year</b>	<b>\$ 169,043</b>	<b>\$ -</b>	<b>\$ 169,043</b>	<b>\$ 172,659</b>

**CALGARY ARTS DEVELOPMENT AUTHORITY LTD.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2014**

	2014	2013
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses	\$ (3,616)	\$ 38,634
Items not affecting cash:		
Amortization of capital assets	-	9,417
Amortization of deferred contributions related to capital assets	-	(9,417)
	<u>(3,616)</u>	<u>38,634</u>
Changes in non-cash working capital:		
Accounts receivable	197,941	(100,727)
Goods and services tax receivable	7,431	(12,901)
Prepaid expenses	2,414	10,729
Refundable deposits	5,416	(11,326)
Accounts payable and accrued liabilities	63,197	(28,581)
Grant commitments	(308,131)	137,197
Deferred contributions	14,432	-
	<u>(17,300)</u>	<u>(5,609)</u>
Cash flow from (used by) operating activities	<u>(20,916)</u>	<u>33,025</u>
<b>Investing activity</b>		
Redemption (purchase) of short investments	<u>(400,375)</u>	<u>320,618</u>
Cash flow from (used by) investing activity	<u>(400,375)</u>	<u>320,618</u>
<b>Increase (decrease) in cash flow</b>	<b>(421,291)</b>	<b>353,643</b>
Cash - beginning of year	<u>495,574</u>	<u>141,931</u>
<b>Cash - end of year</b>	<b>\$ 74,283</b>	<b>\$ 495,574</b>



# CALGARY ARTS DEVELOPMENT AUTHORITY LTD.

## Notes to Financial Statements

For the Year Ended December 31, 2014

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### 1. Purpose of the organization

The 2004 Calgary Civic Arts Policy led to Calgary City Council's creation of Calgary Arts Development Authority Ltd. ("CADA"). CADA is a not-for-profit organization incorporated under the Alberta Business Corporations Act on March 18, 2005. CADA is The City of Calgary's arm's length arts development authority that promotes and directs investments in the arts to increase the sector's public and artistic impact on behalf of the citizens of Calgary. The Calgary Civic Arts Policy also directs CADA to create an arts development strategy for Calgary. Management has determined that under Section 149 of the Income Tax Act, the organization is not subject to the payment of income tax.

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### 2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian public sector accounting standards for not-for-profit organizations, and in management's opinion, have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

#### Revenue recognition

CADA 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.

#### Cash and cash equivalents

Cash consists of cash on hand and balances with banks; cash equivalents consist of short-term deposits with original maturities of less than three months.

#### Capital assets

Capital assets are recorded at cost. Assets purchased under \$5,000 are expensed. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided by using the straight-line method to amortize the cost of assets over their estimated useful lives. The rates are as follows:

Computer equipment	3 years	straight-line method
Furniture and fixtures	5 years	straight-line method
Leasehold improvements	Term of lease	straight-line method

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

#### Contributed goods and services

Volunteers contribute many hours per year to assist CADA in carrying out its services and programs. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements. CADA also received insurance coverage from the City of Calgary. The fair value of this contribution was not able to be determined and was not recognized in the financial statements.

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**CALGARY ARTS DEVELOPMENT AUTHORITY LTD.**

**Notes to Financial Statements**

**For the Year Ended December 31, 2014**

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

Financial instruments

CADA initially measures its financial assets and financial liabilities at fair value. It subsequently measures all of its financial assets and financial liabilities at amortized cost.

The financial assets measured at amortized cost include cash, guaranteed investment certificates, accounts receivable. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Management estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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**3. Short term investment**

The short term investment consists of a cashable guaranteed investment certificate bearing an interest rate of 1.20% per annum, maturing on April 2, 2015.

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**4. Financial instruments**

CADA's financial instruments consist of cash, accounts receivable, short term investment, accounts payable and accrued liabilities, all of which are reported at amortized cost. Due to their short term nature, the carrying value of financial instruments, other than the marketable securities, approximate their fair value. It is management's opinion that the organization is not exposed to significant interest, currency or credit risk arising from these financial instruments.

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**5. Grant commitments**

Grant commitments will be paid out in accordance with funding agreements for funded programs and organizations.

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 585,322	\$ 448,125
Add: commitments approved during the year	4,724,650	5,240,538
Less: commitments paid out during the year	<u>(5,032,781)</u>	<u>(5,103,341)</u>
Balance, end of year	<u>\$ 277,191</u>	<u>\$ 585,322</u>

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**CALGARY ARTS DEVELOPMENT AUTHORITY LTD.**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2014**

**5. Grant commitments (continued)**

	<b>2014</b>	<b>2013</b>
The above balances consist of grant commitments to the following programs or organizations:		
Mayor's Lunch (Artist Legacy Awards)	\$ 169,250	\$ 191,000
Remarkable Experience Accelerator Program	80,100	185,100
Event Stimulus Program	17,375	53,625
Calgary 2012 Legacy grants	5,178	56,778
Invest YYC	3,278	22,181
Operating grant	2,010	3,800
Alberta Arts Flood Rebuild	-	19,038
Poet Laureate Program	-	4,000
Arts for All	-	50,000
	<b>\$ 277,191</b>	<b>\$ 585,322</b>

**6. Internally restricted net assets**

In 2014, the Board restricted the following amounts for specific purposes:

a) Contingency Operating Reserve - \$36,384 (2013 - \$40,000)

These funds are internally restricted by the Board for the purpose of addressing short term fluctuations in operating costs.

b) Community Investment Reserve - \$132,659 (2013 - \$132,659)

These funds are internally restricted by the Board for the purpose of funding strategic initiatives in accordance with the strategic plan approved by the Board from time to time. As at December 31, 2014, management identified \$132,659 (2013 - \$132,659) to support strategic business initiatives.

**7. Revenue from other sources**

	<b>2014</b>	<b>2013</b>
Remarkable Experience Accelerator	\$ 262,500	\$ 232,400
Alberta Flood Relief	204,808	203,588
Invest YYC	96,540	345,083
Calgary 2012 legacy grants	51,600	54,197
New Pathways	45,568	-
Event Stimulus program	36,250	51,500
Mayor's Lunch (Artist Legacy Awards)	30,000	25,000
Poet Laureate	13,000	21,000
Living A Creative Life - Youth & Education	1,816	-
	<b>\$ 742,082</b>	<b>\$ 932,768</b>

**CALGARY ARTS DEVELOPMENT AUTHORITY LTD.**

**Notes to Financial Statements**

**For the Year Ended December 31, 2014**

**8. Miscellaneous income**

	<u>2014</u>	<u>2013</u>
Program income	\$ 126,921	\$ 115,004
Other income	530	31
	<u>\$ 127,451</u>	<u>\$ 115,035</u>

**9. Grant expenses from other sources**

	<u>2014</u>	<u>2013</u>
Remarkable Experience Accelerator	\$ 262,500	\$ 232,400
Alberta Flood Relief	198,500	203,588
Invest YYC	91,661	328,637
Calgary 2012 legacy grants	51,600	54,197
Event Stimulus program	38,250	51,500
Mayor's Lunch	30,010	25,000
Poet Laureate	-	21,000
	<u>\$ 670,521</u>	<u>\$ 916,322</u>

**10. Lease commitments**

CADA had leased premises with an expiry date of August 31, 2014. In January 2014, the landlord terminated this lease, at no cost to CADA, and CADA entered an agreement for new leased premises with an expiry date of March 2024.

2015	\$ 142,359
2016	142,359
2017	142,359
2018	142,359
2019	142,359
Thereafter	<u>641,387</u>
	<u>\$ 1,353,182</u>

In November 2014, CADA signed a lease agreement for a photocopier, which expires in November 2019. The minimum annual rental payments are as follows:

2015	\$ 5,246
2016	5,246
2017	5,246
2018	5,246
2019	<u>3,934</u>
	<u>\$ 24,918</u>

**CALGARY ARTS DEVELOPMENT AUTHORITY LTD.**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2014**

**11. Controlled and related entity - cSPACE Projects**

CADA is a member of, and controls, the non-profit corporation, cSPACE Projects ("cSPACE"), by virtue of holding 99% of the voting shares. cSPACE was incorporated in Alberta on October 27, 2011. Management has determined that under section 149(1)(l) of the Income Tax Act, cSPACE is not subject to the payment of income tax. The bylaws of cSPACE stipulate: "No part of the income, funds or property of cSPACE is payable to or otherwise available for the benefit of any member of cSPACE." Accordingly, the financial statements of cSPACE have not been consolidated with CADA's financial statements.

cSPACE is established exclusively to promote, coordinate and facilitate real estate projects that establish affordable facilities, accommodation and education opportunities for artists and non-profit organizations operating in the arts or community sectors.

The condensed summary financial statements of this unconsolidated controlled entity for the year ended December 31, 2014 and 2013, that have been prepared in accordance with Canadian public sector accounting standards for not-for-profit organizations are as follows:

<b>cSPACE Projects</b>			
<b><u>Condensed Statement of Financial Position</u></b>			
		<b>2014</b>	<b>2013</b>
Current assets		<b>\$ 3,691,834</b>	<b>\$ 2,751,100</b>
Restricted investments		<b>497,800</b>	<b>-</b>
Property under development		<b>9,904,084</b>	<b>10,284,047</b>
Total assets		<b><u>\$ 14,093,718</u></b>	<b><u>\$ 13,035,147</u></b>
Current liabilities			
Accounts payable and accrued liabilities		<b>\$ 48,332</b>	<b>\$ 597,202</b>
Unearned revenue and deposits		<b>1,012,050</b>	<b>-</b>
Demand loan (a)		<b>1,940,576</b>	<b>2,928,350</b>
		<b>3,000,958</b>	<b>3,525,552</b>
Deferred contributions related to property (b)		<b>5,796,338</b>	<b>5,868,462</b>
Total liabilities		<b>8,797,296</b>	<b>9,394,014</b>
Total net assets		<b>5,296,422</b>	<b>3,641,133</b>
Total liabilities and net assets		<b><u>\$ 14,093,718</u></b>	<b><u>\$ 13,035,147</u></b>

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**CALGARY ARTS DEVELOPMENT AUTHORITY LTD.**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2014**

**11. Controlled and related entity - cSPACE Projects (continued)**

**Condensed Statement of Operations**

	<u>2014</u>	<u>2013</u>
Total revenue	\$ 923,223	\$ 941,522
Total expenses	713,284	605,864
Excess of revenue over expenses	<u>\$ 209,939</u>	<u>\$ 335,658</u>

**Condensed Statement of Cash Flows**

	<u>2014</u>	<u>2013</u>
Cash flow from (used by) operating activities	\$ (383,965)	\$ 1,087,717
Cash from financing activities	385,452	3,000,000
Cash flow used by investing activities	<u>(1,413,961)</u>	<u>(1,470,019)</u>
Increase (decrease) in cash	<u>(1,412,474)</u>	2,617,698
Cash, beginning of the period	2,617,635	(63)
Cash, end of the year	<u>\$ 1,205,161</u>	<u>\$ 2,617,635</u>

**(a) Demand loan**

In 2011, The Calgary Foundation ("TCF") advanced a loan of \$8,000,000 for the purchase of the property (Lands of Plan 4479P, Block 30, Lots 1 to 40 Inclusive and the lane. ("land")). The loan is repayable on demand. The loan agreement provides that if a demand is not made, the loan will be repaid as follows:

(i) by payments equal to any amounts received by cSPACE pursuant to the Municipal Sustainability Initiative ("MSI") from the City of Calgary, which are provided to assist cSPACE to buy the lands.

(ii) upon the sale of any portion of the lands, a portion of the net sales proceeds shall be paid to TCF as repayment of the loan; such portion to be agreed upon by cSPACE and TCF prior to completion of a sale. On December 2, 2014, the \$1,000,000 non-refundable deposit received for the sale of land was used for repayment of the loan; and

(iii) in all events the balance outstanding, \$1,940,576 as of December 31, 2014 (\$2,928,350 - December 31, 2013), shall be repaid in full on or before November 1, 2016.

Interest is accrued on the balance of the loan outstanding at any time calculated from the date of advance at the rate of 4.75% per annum, calculated semi-annually not in advance, and be payable by cSPACE to TCF quarterly, on the last day of each calendar quarter commencing from the end of June 2012 and ending when the loan is repaid in full.

As security for the repayment of the loan and the performance of cSPACE's obligations, cSPACE delivered to TCF the following:

(i) a land mortgage creating a first financial charge on the lands in the principal sum of the loan executed by cSPACE;

(ii) a first ranking assignment of leases and rents respecting all tenants in the lands; and

(iii) fire and liability insurance with loss payable first to TCF and with coverage and terms acceptable to TCF.

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**CALGARY ARTS DEVELOPMENT AUTHORITY LTD.**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2014**

**11. Controlled and related entity - cSPACE Projects (continued)**

(b) Deferred contributions related to property

	<b>The Calgary Foundation</b>	<b>Bullfrog Power Inc.</b>	<b>The City of Calgary</b>	<b>Province of Alberta</b>	<b>Total</b>
Balance, December 31, 2012	\$ 55,500	\$ -	\$ 2,812,962	\$ -	\$ 2,868,462
Additions	-	-	-	3,000,000	3,000,000
Utilization	-	-	-	-	-
Balance, December 31, 2013	55,500	-	2,812,962	3,000,000	5,868,462
Additions	838,226	35,000	-	500,000	1,373,226
Utilization	(52,272)	-	-	(1,393,078)	(1,445,350)
Balance, December 31, 2014	\$ 841,454	\$ 35,000	\$ 2,812,962	\$ 2,106,922	\$ 5,796,338

(c) Contributions received for operations

	<b>2014</b>	<b>2013</b>
The Calgary Foundation	\$ 500,000	\$ 500,000
Calgary Arts Development Authority	420,000	420,000
	<b>\$ 920,000</b>	<b>\$ 920,000</b>

(d) During 2014, pursuant to the Memorandum of Understanding between cSPACE and CADA, CADA granted \$420,000 (2013 - \$420,000) of funding to cSPACE.

For complete information on cSPACE, please see the cSPACE audited financial statements.

**12. Comparative figures**

Some of the comparative figures have been reclassified to conform to the current year's presentation.