

Calgary Arts Development Authority Ltd.

Financial Statements

For the year ended December 31, 2010

Calgary Arts Development Authority Ltd.
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For the year ended December 31, 2010

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INDEPENDENT AUDITOR'S REPORT

To the Members of Calgary Arts Development Authority Ltd.:

Report on the financial statements

We have audited the accompanying financial statements of Calgary Arts Development Authority Ltd., which is comprised of the statement of financial position as at December 31, 2010, and the statements of operations, 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 financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles 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.

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, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

April 18, 2011
Calgary, Alberta, Canada

Thompson Penner & Lo LLP
Certified General Accountants

Calgary Arts Development Authority Ltd.

Statement of Financial Position

As at December 31, 2010

	2010	2009
ASSETS		
Current		
Cash	\$ 209,356	\$ 103,758
Short term investments	-	100,000
Accounts receivable (note 3)	472,095	39,314
Goods and services tax receivable	19,216	17,952
Refundable deposits	5,414	5,414
Prepaid expenses	8,128	7,059
	<u>714,209</u>	<u>273,497</u>
Property and equipment (note 4)	<u>6,472</u>	<u>20,562</u>
	<u>\$ 720,681</u>	<u>\$ 294,059</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 71,240	\$ 90,729
Grant commitments (note 5)	413,500	35,500
	<u>484,740</u>	<u>126,229</u>
Deferred contributions (note 6)		
Related to property and equipment	<u>6,472</u>	<u>20,562</u>
	<u>491,212</u>	<u>146,791</u>
NET ASSETS		
Internally restricted (note 7)	<u>229,469</u>	<u>147,268</u>
	<u>\$ 720,681</u>	<u>\$ 294,059</u>

Approved on behalf of the Board:

Director

Director

Calgary Arts Development Authority Ltd.

Statement of Operations

For the year ended December 31, 2010

	2010	2009
REVENUE		
City of Calgary	\$ 5,018,741	\$ 4,764,802
Miscellaneous income (note 8)	57,157	60,564
Research income	15,000	15,000
Amortization of deferred contributions related to property and equipment	14,090	6,400
Rent	5,189	-
Interest income	5,142	1,478
Utilization of deferred contributions	-	2,908
	5,115,319	4,851,152
EXPENSES		
Operating grants committed	3,788,570	3,772,220
Salaries and employee benefits	612,428	586,080
Consulting and project management	278,352	105,161
Advertising and promotion	77,680	120,086
Lease payments	70,489	36,203
Catering and hosting	54,886	45,285
Professional fees	33,992	27,074
Telecommunications	26,756	18,893
Office supplies	27,786	27,731
Amortization	14,090	6,400
Travel and parking	14,911	9,774
Sponsorships	11,275	13,450
Miscellaneous	10,493	30,610
Volunteer development	9,598	17,527
Bank charges	1,812	2,133
	5,033,118	4,818,627
EXCESS OF REVENUE OVER EXPENSES	\$ 82,201	\$ 32,525

Calgary Arts Development Authority Ltd.

**Statement of Changes in Net Assets
For the year ended December 31, 2010**

	Internally Restricted	Unrestricted	2010 Total	2009 Total
Balance, beginning of year	\$ 147,268	\$ -	\$ 147,268	\$ 114,743
Excess of revenue over expenses	-	82,201	82,201	32,525
Interfund transfer (note 7)	82,201	(82,201)	-	-
Balance, end of year	\$ 229,469	\$ -	\$ 229,469	\$ 147,268

Calgary Arts Development Authority Ltd.

Statement of Cash Flows

For the year ended December 31, 2010

	2010	2009
CASH FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 82,201	\$ 32,525
Add back non-cash items:		
Amortization of property and equipment	14,090	6,400
Amortization of deferred contributions related to property and equipment	(14,090)	(6,400)
	<u>82,201</u>	<u>32,525</u>
Changes in non-cash working capital:		
Accounts receivable	(432,781)	75,567
Goods and services tax receivable	(1,264)	11,655
Refundable deposits	-	(5,414)
Prepaid expenses	(1,069)	213
Accounts payable	(19,489)	54,824
Bonus payable	-	(13,945)
Grant commitments	378,000	(8,875)
Deferred contributions related to operations	-	(2,908)
	<u>5,598</u>	<u>143,642</u>
FINANCING ACTIVITY		
Contributions received for property and equipment	-	31,320
INVESTING ACTIVITIES		
Redemption (Acquisition) of short term investments	100,000	(100,000)
Acquisitions of property and equipment	-	(31,320)
	<u>100,000</u>	<u>(131,320)</u>
INCREASE IN CASH	105,598	43,642
CASH, BEGINNING OF THE YEAR	<u>103,758</u>	<u>60,116</u>
CASH, END OF THE YEAR	<u>\$ 209,356</u>	<u>\$ 103,758</u>

Calgary Arts Development Authority Ltd.
Notes to the Audited Financial Statements
For the year ended December 31, 2010

1. PURPOSE OF THE ORGANIZATION

Calgary Arts Development Authority Ltd. ("CADA") is a not-for-profit organization incorporated under the Alberta Business Corporations Act on March 18, 2005. The organization plays a leadership role in realizing the potential of arts and culture in Calgary. Under Section 149 of the Income Tax Act, the organization is not subject to the payment of income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles 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.

a) Revenue Recognition

The organization 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.

b) Property and Equipment

Property and equipment are recorded at cost. Assets purchased under \$5,000 are expensed. Contributed property and equipment 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:

Computers	3 years
Equipment	5 years

c) Contributed Goods and Services

Volunteers contribute many hours per year to assist the organization 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. The organization 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.

d) Financial Instruments

All financial instruments are classified as "held for trading" and carried at their fair values. Unrealized gains and losses on trading assets are recognized in excess of revenue and expenses. The fair value of financial instruments reported at their fair value is based on current interest rates, market value, or pricing of financial instruments with comparative terms. Because the fair value of financial assets held by the organization approximates their carrying value, application of this policy does not have a significant effect on the financial statements.

e) Management Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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.

Calgary Arts Development Authority Ltd.

Notes to the Audited Financial Statements

For the year ended December 31, 2010

3. ACCOUNTS RECEIVABLE

Accounts receivable related to City of Calgary Cultural District Society

At the start of 2010, CADA had a Marketing Service Agreement with the Cultural District Society that would see the Cultural District pay Calgary Arts Development \$50,000 for the provision of services related to growing the membership and promoting the activities of the Cultural District. During the year, the Cultural District Society was unsuccessful in achieving revenue targets from grant and sponsorship sources. As a result, prior to the end of the year, Management made the decision to sever the Service Agreement and has written off as uncollectable invoices to The Cultural District Society totalling \$39,999 plus GST.

Accounts receivable related to City of Calgary's Event Stimulus Program

As at December 31, 2010, Calgary Arts Development had completed the administrative requirements associated with the City of Calgary's Event Stimulus Program, and had invoiced The City for both the administrative costs \$20,000 and the total grant amount \$400,000. Because the funds had not been received at year end, and because the grants had not been paid out, the financial statements show a \$400,000 receivable and an associated liability of deferred contribution of \$400,000. Both of these amounts have been cleared subsequent to year end.

4. PROPERTY AND EQUIPMENT

	Cost		Accumulated Amortization		Net Book Value	
	2010	2009	2010	2009	2010	2009
Computers	\$ -	\$ 17,717	\$ -	\$ 13,647	\$ -	\$ 4,070
Equipment	-	16,406	-	8,235	-	8,171
Leasehold improvements	9,246	9,246	2,774	925	6,472	8,321
	<u>\$ 9,246</u>	<u>\$ 43,369</u>	<u>\$ 2,774</u>	<u>\$ 22,807</u>	<u>\$ 6,472</u>	<u>\$ 20,562</u>

5. GRANT COMMITMENTS

	2010	2009
Balance, beginning of the year	\$ 35,500	\$ 44,375
Add: commitments approved during the year	4,188,570	3,772,220
Less: commitments paid out during the year	(3,810,570)	(3,781,095)
Balance, end of the year	<u>\$ 413,500</u>	<u>\$ 35,500</u>

6. DEFERRED CONTRIBUTIONS

Deferred contributions relate to contributions received in the current year that relate to future year expenses. Contributions received for property and equipment are deferred and amortized over the useful life of the property.

	2009	Additions	Utilizations	2010
Related to property and equipment	\$ 20,562	\$ -	\$ (14,090)	\$ 6,472

Calgary Arts Development Authority Ltd.
Notes to the Audited Financial Statements
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7. INTERFUND TRANSFER

In 2010, the Board restricted the following amounts for specific purposes:

a) Reserve - Contingency for Operating Cost Increases: \$40,000 (2009 - \$40,000)

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

b) Reserve - Strategic or Multi-Year Initiatives: \$189,469 (2009 - \$107, 268)

These funds are internally restricted by the Board for the purpose of enabling management to undertake strategic projects or make grants that are budgeted in one fiscal year, but which may conclude in a subsequent fiscal year. As at December 31, 2010, Management identified \$59,500 (2009: \$17,000) in unexpended grant funds that are intended to be spent as grants in 2011.

8. MISCELLANEOUS INCOME

	2010	2009
Other	\$ 53,231	\$ 20,564
Cash donation	1,831	-
Cultural District Society	-	40,000
	<u>\$ 55,062</u>	<u>\$ 60,564</u>

9. LEASE COMMITMENT

In current year, the organization leased premises with minimum monthly lease payments of \$3,115. This lease expires in August 2014.

	Total
2011	\$ 37,380
2012	37,380
2013	37,380
2014	24,920

10. FINANCIAL INSTRUMENTS

The organization's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value approximates their carrying value, unless otherwise noted.

11. COMPARATIVE FIGURES

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