

**Calgary Arts Development Authority Ltd.**

**Financial Statements**

**For the year ended December 31, 2011**



**Calgary Arts Development Authority Ltd.**

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For the year ended December 31, 2011

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## INDEPENDENT AUDITOR'S REPORT

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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, 2011, 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, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

  
Certified General Accountants

April 17, 2012  
Calgary, Alberta, Canada



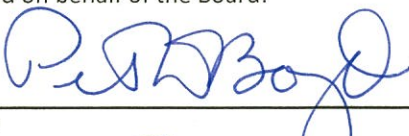
# Calgary Arts Development Authority Ltd.


## Statement of Financial Position

As at December 31, 2011

	2011	2010
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 293,990	\$ 209,356
Accounts receivable	132,407	72,095
Grant receivable (note 3)	250,000	400,000
Goods and services tax receivable	4,825	19,216
Refundable deposits	5,414	5,414
Prepaid expenses	4,064	8,128
	<u>690,700</u>	<u>714,209</u>
<b>Property and equipment (note 4)</b>	<u>13,164</u>	<u>6,472</u>
	<u>703,864</u>	<u>720,681</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	63,189	71,240
Grant commitments (note 5)	484,475	413,500
	<u>547,664</u>	<u>484,740</u>
<b>Deferred contributions (note 6)</b>		
Related to property and equipment	<u>13,164</u>	<u>6,472</u>
	<u>560,828</u>	<u>491,212</u>
<b>NET ASSETS</b>		
<b>Internally restricted (note 7)</b>	<u>143,036</u>	<u>229,469</u>
	<u>\$ 703,864</u>	<u>\$ 720,681</u>

Approved on behalf of the Board:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director





**Calgary Arts Development Authority Ltd.****Statement of Operations**

For the year ended December 31, 2011

	2011	2010
<b>REVENUE</b>		
City of Calgary	\$ 5,731,917	\$ 5,018,741
Miscellaneous income (note 8)	115,555	57,157
Rent income	39,588	5,142
Amortization of deferred contributions related to property and equipment	2,798	14,090
Research income	-	15,000
Interest income	-	5,189
	<u>5,889,858</u>	<u>5,115,319</u>
<b>EXPENSES</b>		
Operating grants expense	4,599,318	3,788,570
Salaries and employee benefits	748,680	612,428
Consulting and project management	246,194	278,352
Lease payments	108,022	70,489
Catering and hosting	78,422	54,886
Professional fees	38,193	33,992
Office supplies	34,266	27,786
Telecommunications	30,949	26,756
Advertising and promotion	40,853	88,955
Volunteer development	17,716	9,598
Miscellaneous	17,431	10,493
Travel and parking	12,102	14,911
Amortization	2,798	14,090
Bank charges	1,347	1,812
	<u>5,976,291</u>	<u>5,033,118</u>
<b>(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES</b>	<u>\$ (86,433)</u>	<u>\$ 82,201</u>



**Calgary Arts Development Authority Ltd.**

**Statement of Changes in Net Assets  
For the year ended December 31, 2011**

	<b>Internally Restricted</b>	<b>Unrestricted</b>	<b>2011 Total</b>	<b>2010 Total</b>
Balance, beginning of year	\$ 229,469	\$ -	\$ 229,469	\$ 147,268
(Deficiency) excess of revenue over expenses	-	(86,433)	(86,433)	82,201
Interfund transfer	(86,433)	86,433	-	-
<b>Balance, end of year</b>	<b>\$ 143,036</b>	<b>\$ -</b>	<b>\$ 143,036</b>	<b>\$ 229,469</b>



## Calgary Arts Development Authority Ltd.

### Statement of Cash Flows

For the year ended December 31, 2011

	2011	2010
<b>CASH FROM OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ (86,433)	\$ 82,201
Add back non-cash items:		
Amortization of property and equipment	2,798	14,090
Amortization of deferred contributions related to property and equipment	(2,798)	(14,090)
	<u>(86,433)</u>	82,201
Changes in non-cash working capital:		
Accounts receivable	(60,312)	(32,781)
Grant receivable	150,000	(400,000)
Goods and services tax receivable	14,391	(1,264)
Prepaid expenses	4,064	(1,069)
Accounts payable	(8,051)	(19,489)
Grant commitments	70,975	378,000
	<u>84,634</u>	<u>5,598</u>
<b>FINANCING ACTIVITY</b>		
Contributions received for property and equipment	<u>9,490</u>	-
<b>INVESTING ACTIVITIES</b>		
Redemption of short term investments	-	100,000
Acquisitions of property and equipment	(9,490)	-
	<u>(9,490)</u>	<u>100,000</u>
<b>INCREASE IN CASH</b>	<b>84,634</b>	<b>105,598</b>
CASH, BEGINNING OF THE YEAR	<u>209,356</u>	<u>103,758</u>
CASH, END OF THE YEAR	<u>\$ 293,990</u>	<u>\$ 209,356</u>



## Calgary Arts Development Authority Ltd.

### Notes to the Audited Financial Statements

For the year ended December 31, 2011

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#### 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. 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. 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
Leasehold improvements	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.

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## Calgary Arts Development Authority Ltd.

### Notes to the Audited Financial Statements

For the year ended December 31, 2011

#### 3. GRANT RECEIVABLE

##### Grant receivable related to Downtown Remarkable Experience Accelerator Fund

As at December 31, 2011, CADA had completed the administrative requirements associated with the Calgary Hotel Association (the "Association")'s Downtown Remarkable Experience Accelerator Fund, and had invoiced the Association for the first year funding of \$250,000 of a project that will occur from 2012 to 2014. The total funding for the project is \$825,000. Because the fund had not been received and the grants had not been paid out at year end, the financial statements show a \$250,000 receivable and an associated liability of grant commitments of \$250,000. The funding has been received subsequent to year end.

#### 4. PROPERTY AND EQUIPMENT

	Cost		Accumulated Amortization		Net Book Value	
	2011	2010	2011	2010	2011	2010
Leasehold improvements	\$ 18,736	\$ 9,246	\$ 5,572	\$ 2,774	\$ 13,164	\$ 6,472

#### 5. GRANT COMMITMENTS

	2011	2010
Balance, beginning of the year	\$ 413,500	\$ 35,500
Add: commitments approved during the year	4,670,293	4,166,570
Less: commitments paid out during the year	(4,599,318)	(3,788,570)
Balance, end of the year	\$ 484,475	\$ 413,500

The above balances consist of grant commitments to the following programs or organizations:

	2011	2010
Downtown Remarkable Experience Accelerator Program	\$ 250,000	\$ -
Calgary Event Stimulus Program	221,375	400,000
Poet Laureate Program	11,000	-
Altius Brass Society	2,100	2,100
Calgary Round-up Band	-	3,000
Calgary Sketch Club	-	3,700
Foothills Bluegrass Music Society	-	3,500
Polanie Polish Song and Dance Association	-	1,200
	\$ 484,475	\$ 413,500

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

#### 6. DEFERRED CONTRIBUTIONS

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

	2010	Additions	Utilizations	2011
Related to property and equipment	\$ 6,472	9,490	(2,798)	\$ 13,164



## Calgary Arts Development Authority Ltd.

### Notes to the Audited Financial Statements

For the year ended December 31, 2011

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#### 7. INTERNALLY RESTRICTED

In 2011, the Board restricted the following amounts for specific purposes:

a) **Contingency Operating Reserve - \$40,000 (2010- \$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 - \$103,036 (2010 - \$189,469)**

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, 2011, Management identified \$93,777 (2010: \$59,500) to be spent in 2012 to support 2012 Strategic Business Plan initiatives.

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#### 8. MISCELLANEOUS INCOME

	2011	2010
Program income	\$ 115,394	\$ 42,948
Cash donation	-	1,831
Other income	161	12,378
	<u>\$ 115,555</u>	<u>\$ 57,157</u>

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#### 9. LEASE COMMITMENT

In current year, the organization leased premises with minimum monthly lease payments of \$4,212. This lease expires in August 2014.

	Total
2012	\$ 50,541
2013	50,541
2014	33,694

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#### 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.

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## Calgary Arts Development Authority Ltd.

### Notes to the Audited Financial Statements

For the year ended December 31, 2011

#### 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 of the Income Tax Act, cSpace is not subject to the payment of income tax. Further, as per the bylaws of cSpace: "No part of the income, funds or property of the Company is payable to or otherwise available for the benefit of any member of the Company." As a result, cSpace has not been consolidated in 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 sector.

Financial summaries of this unconsolidated entity for the period from incorporation on October 27, 2011 to December 31, 2011 year end are as follows:

<b>cSPACE Projects</b>	
<b>Statement of Financial Position</b>	
Property	\$ 8,428,350
<b>Total assets</b>	<b><u>\$ 8,428,350</u></b>
Current portion of long term loan (a)	\$ 5,000,000
Long term loan (a)	2,928,350
Deferred contribution on Property (b)	<u>500,000</u>
Total liabilities	8,428,350
Total net assets	<u>-</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 8,428,350</u></b>

(a) The loan from The Calgary Foundation ("TCF") is up to \$8,000,000 for the purchase of the property (Lands of Plan 4479P, Block 30, Lots 1 to 40 Inclusive and the lane. ("lands")). The loan is repayable on demand which may be made at any time. 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 for the funds pursuant to the Municipal Sustainability Initiative ("MSI") from the City of Calgary which are provided to assist cSpace to buy the lands. The payments should be made within 30 days of receipt for the amount of at least \$5,000,000 on or before November 1, 2012;

(ii) upon the sale of any portion of the lands a portion of the net price received by cSpace shall be paid to TCF as repayment of the loan, such portion to be agreed upon by cSpace and TCF prior to such sales; and

(iii) in all events the balance outstanding shall be repaid in full on or before November 1, 2016.

Interest will accrue 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 the end of June 2012 and ending when the loan is repaid in full.

*Continue...*



**Calgary Arts Development Authority Ltd.**  
**Notes to the Audited Financial Statements**  
**For the year ended December 31, 2011**

**11. CONTROLLED AND RELATED ENTITY - cSPACE PROJECTS (continued)**

As security for the repayment of the loan and the performance of cSpace's obligations, cSpace will deliver 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;
- (iii) fire and liability insurance with loss payable first to TCF and with coverage and terms acceptable to TCF.

- (b) On November 15, 2011, CADA signed a grant agreement with TCF for the sum of \$3,027,000 to be used solely to support cSpace's acquisition of King Edward School. The grant will be made in six installments. The first payment of \$500,000 was issued directly to the vendor of the lands upon closing the purchase.

TCF will issue the remaining payments for a total of \$2,527,000, in five installments as follows:

April 2012	\$ 527,000
April 2013	500,000
April 2014	500,000
April 2015	500,000
April 2016	500,000
	<u>\$ 2,527,000</u>

**Statement of Operations**

Total revenue	\$ -
Total expenses ( c)	-
Excess of revenue over expenses	<u>\$ -</u>

- ( c) As of December 31, 2011, CADA assumed \$42,583 in expenditures that were incurred by cSpace under the CADA Board's approval, considering that a portion of CADA's operating funding was intended to be used for art space activities.

**Statement of Cash Flows**

Cash from operating activities	<u>\$ -</u>
Loan advance	7,928,350
Contribution received for property	500,000
Cash from financing activities	<u>8,428,350</u>
Acquisition of property	<u>(8,428,350)</u>
Cash from investing activities	<u>(8,428,350)</u>
Increase in cash	-
Cash, Beginning of the period	-
Cash, End of the year	<u>\$ -</u>





**12. ACCOUNTING STANDARDS CHANGES**

In 2010, the Accounting Standards Board issued new accounting standards for Not for Profit organizations which must be adopted for years beginning on or after January 1, 2012. Management is currently reviewing the standards to determine the potential effect of their adoption on the financial statements of the Society, but it currently appears that the changes will not be significant.

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**13. COMPARATIVE FIGURES**

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

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