

Calgary Arts Development Authority Ltd.

Financial Statements

December 31, 2012 and 2011

Calgary Arts Development Authority Ltd.
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For the Years Ended December 31, 2012 and 2011

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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 comprise the statement of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, and the statements of operations, changes in net assets and cash flows for the years ended December 31, 2012 and 2011, 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 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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, 2012, December 31, 2011 and January 1, 2011, and the results of its operations and its cash flows for the years ended December 31, 2012 and 2011 in accordance with Canadian public sector accounting standards for not-for-profit organizations.

Thompson Penner & Lo LLP

Certified General Accountants

April 16, 2013
Calgary, Alberta, Canada

Calgary Arts Development Authority Ltd.

Statements of Financial Position

As at December 31, 2012, December 31, 2011 and January 1, 2011

	2012	2011	January 1, 2011
ASSETS			
Current			
Cash	\$ 141,931	\$ 293,990	\$ 209,356
Short term investments (note 4)	370,715	-	-
Accounts receivable	104,814	132,407	72,095
Grant receivable (note 5)	-	250,000	400,000
Goods and services tax receivable	6,180	4,825	19,216
Refundable deposits	6,414	5,414	5,414
Prepaid expenses	52,044	4,064	8,128
	<u>682,098</u>	<u>690,700</u>	<u>714,209</u>
Property and equipment (note 6)	<u>9,417</u>	<u>13,164</u>	<u>6,472</u>
	<u>\$ 691,515</u>	<u>\$ 703,864</u>	<u>\$ 720,681</u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$ 99,948	\$ 63,189	\$ 71,240
Grant commitments (note 7)	448,125	484,475	413,500
	<u>548,073</u>	<u>547,664</u>	<u>484,740</u>
Deferred contributions related to property and equipment (note 8)	<u>9,417</u>	<u>13,164</u>	<u>6,472</u>
	<u>557,490</u>	<u>560,828</u>	<u>491,212</u>
NET ASSETS			
Internally restricted (note 9)	<u>134,025</u>	<u>143,036</u>	<u>229,469</u>
	<u>\$ 691,515</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 Years Ended December 31, 2012 and 2011

	2012	2011
REVENUE		
City of Calgary	\$ 5,509,256	\$ 5,731,917
Grant funds from other sources	326,100	-
Miscellaneous income (note 10)	119,021	115,555
Rent income	27,015	39,588
Interest income	12,347	-
Amortization of deferred contributions related to property and equipment	3,747	2,798
	<u>5,997,486</u>	<u>5,889,858</u>
EXPENSES		
Grants expense	4,763,355	4,599,318
Salaries and employee benefits	788,474	748,680
Consulting and project management	176,997	246,194
Lease payments	116,362	108,022
Professional fees	37,710	38,193
Catering and hosting	36,562	78,422
Office supplies	25,629	34,266
Volunteer development	19,858	17,716
Telecommunications	14,094	30,949
Advertising and promotion	11,636	40,853
Travel and parking	7,293	12,102
Amortization	3,747	2,798
Bank charges	2,723	1,347
Miscellaneous	2,057	17,431
	<u>6,006,497</u>	<u>5,976,291</u>
DEFICIENCY OF REVENUE OVER EXPENSES	<u>\$ (9,011)</u>	<u>\$ (86,433)</u>

Calgary Arts Development Authority Ltd.
Statement of Changes in Net Assets
For the Years Ended December 31, 2012 and 2011

	Internally Restricted	Unrestricted	2012	2011
Balance, beginning of year	\$ 143,036	\$ -	\$ 143,036	\$ 229,469
Deficiency of revenue over expenses	-	(9,011)	(9,011)	(86,433)
Interfund transfer	(9,011)	9,011	-	-
Balance, end of year	\$ 134,025	\$ -	\$ 134,025	\$ 143,036

Calgary Arts Development Authority Ltd.

Statement of Cash Flows

For the Years Ended December 31, 2012 and 2011

	2012	2011
CASH FROM OPERATING ACTIVITIES		
Deficiency of revenue over expenses	\$ (9,011)	\$ (86,433)
Add back non-cash items:		
Amortization of property and equipment	3,747	2,798
Amortization of deferred contributions related to property and equipment	(3,747)	(2,798)
	(9,011)	(86,433)
Changes in non-cash working capital:		
Accounts receivable	27,593	(60,312)
Grant receivable	250,000	150,000
Goods and services tax receivable	(1,355)	14,391
Refundable deposits	(1,000)	-
Prepaid expenses	(47,980)	4,064
Accounts payable and accrued liabilities	36,759	(8,051)
Grant commitments	(36,350)	70,975
	218,656	84,634
FINANCING ACTIVITY		
Contributions received for property and equipment	-	9,490
INVESTING ACTIVITIES		
Purchase of short term investments	(370,715)	-
Acquisitions of property and equipment	-	(9,490)
	(370,715)	(9,490)
INCREASE IN CASH	(152,059)	84,634
CASH, BEGINNING OF THE YEAR	293,990	209,356
CASH, END OF THE YEAR	\$ 141,931	\$ 293,990

Calgary Arts Development Authority Ltd.
Notes to the Financial Statements
For the year ended December 31, 2012 and 2011

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.

2. IMPACT OF THE CHANGES IN THE BASIS OF ACCOUNTING

Effective January 1, 2012, CADA adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Public Sector Accounting Handbook, electing to adopt the new accounting framework: Canadian public sector accounting standards for not-for-profit organizations. These are CADA's first financial statements prepared in accordance with these accounting standards, which has been applied retrospectively. The accounting policies set out in the following significant accounting policy note have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information presented in these financial statements for the year ended December 31, 2011 and in the preparation of an opening statement of financial position as at January 1, 2011 (CADA's date of transition).

CADA issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by the CICA Handbook – Accounting XFI. The adoption of Canadian public sector accounting standards had no impact on CADA's excess of revenues over expenses for the year ended December 31, 2011 or on the net assets as at January 1, 2011, the date of transition. Certain of CADA's disclosures included in these financial statements reflect the new disclosure requirements of Canadian public sector accounting standards.

Note that CADA's 2012 statement of financial position is three columns: December 31, 2012, December 31, 2011 and January 1, 2011. The balances for the January 1, 2011 statement of financial position are the same as those shown for December 31, 2010 because there were no transitional adjustments to these numbers.

3. 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:

(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.

(Continued)

Calgary Arts Development Authority Ltd.
Notes to the Financial Statements
For the year ended December 31, 2012 and 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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

The Organization 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 and grants receivable. The financial liabilities measured at amortized cost include the bank loan and accounts payable and accrued liabilities.

(e) 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.

4. SHORT TERM INVESTMENTS

Guaranteed investment certificates are held with maturity dates of less than one year from the date of acquisition, bearing interest rates at 0.80% to 1.00% per annum.

5. GRANT RECEIVABLE

Grant receivable related to Downtown Remarkable Experience Accelerator Fund

In the prior year, CADA completed the requirements associated with the Calgary Hotel Association's (the "Association") Downtown Remarkable Experience Accelerator Fund, for a project that will occur from 2012 to 2014. The total funding for the project is \$825,000. As of December 31, 2012, the amount of \$525,000 had been received with \$275,000 to be used in the future period (Note 7).

Calgary Arts Development Authority Ltd.
Notes to the Financial Statements
For the year ended December 31, 2012 and 2011

6. PROPERTY AND EQUIPMENT

	Cost		Accumulated Amortization		Net Book Value	
	2012	2011	2012	2011	2012	2011
Leasehold improvements	\$ 18,736	\$ 18,736	\$ 9,319	\$ 5,572	\$ 9,417	\$ 13,164

7. GRANT COMMITMENTS

	2012	2011
Balance, beginning of the year	\$ 484,475	\$ 413,500
Add: commitments approved during the year	4,727,005	4,670,293
Less: commitments paid out during the year	(4,763,355)	(4,599,318)
Balance, end of the year	\$ 448,125	\$ 484,475

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

	2012	2011
Downtown Remarkable Experience Accelerator Program	\$ 275,000	\$ 250,000
Calgary Event Stimulus Program	105,125	221,375
Pumphouse	52,500	-
Poet Laureate Program	15,000	11,000
YYC Invest Program	500	-
Altius Brass Society	-	2,100
	\$ 448,125	\$ 484,475

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

8. 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.

	2011	Additions	Utilizations	2012
Related to property and equipment	\$ 13,164	-	(3,747)	\$ 9,417

9. INTERNALLY RESTRICTED

In 2012, the Board restricted the following amounts for specific purposes:

(a) Contingency Operating Reserve - \$40,000 (2011 - \$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 - \$94,025 (2011 - \$103,036)

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, 2012, Management identified \$94,025 (2011: \$93,777) to be spent in 2013 to support 2013 Strategic Business Plan initiatives.

Calgary Arts Development Authority Ltd.
Notes to the Financial Statements
For the year ended December 31, 2012 and 2011

10. MISCELLANEOUS INCOME

	2012	2011
Program income	\$ 118,726	\$ 115,394
Other income	295	161
	<u>\$ 119,021</u>	<u>\$ 115,555</u>

11. LEASE COMMITMENT

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

	Total
2013	\$ 50,544
2014	\$ 33,691

12. FINANCIAL INSTRUMENTS

CADA's financial instruments consist of cash, accounts receivable, guaranteed investment certificates, accounts payable and accrued liabilities, all of which are reported at fair value. 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.

Calgary Arts Development Authority Ltd.**Notes to the Financial Statements****For the year ended December 31, 2012 and 2011****13. 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) (e) 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 cSPACE is payable to or otherwise available for the benefit of any member of cSPACE." 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.

The condensed summary financial statements of this unconsolidated entity for the year ended December 31, 2012 and period ended December 31, 2011, that have been prepared in accordance with Canadian public sector accounting standards for not-for-profit organizations are as follows:

cSPACE Projects			
<u>Condensed Statement of Financial Position</u>			
		December 31, 2012	December 31, 2011
Current assets		\$ 594,513	\$ 401,350
Property under development		8,641,374	8,027,000
Total assets		\$ 9,235,887	\$ 8,428,350
Current liabilities			
Accounts payable and accrued liabilities		\$ 133,600	\$ -
Current portion of long term debt (a)		2,928,350	5,000,000
		3,061,950	5,000,000
Long term debt (a)		-	2,928,350
Deferred contributions related to property (b)		2,868,462	500,000
Total liabilities		5,930,412	8,428,350
Total net assets		3,305,475	-
Total liabilities and net assets		\$ 9,235,887	\$ 8,428,350

Continued

Calgary Arts Development Authority Ltd.
Notes to the Financial Statements
For the year ended December 31, 2012 and 2011

13 CONTROLLED AND RELATED ENTITY - cSPACE PROJECTS (continued)

(a) Long term debt

	2012	2011
The Calgary Foundation	\$ 2,928,350	\$ 7,928,350
Total debt	2,928,350	7,928,350
Current portion	2,928,350	5,000,000
Long-term portion	\$ -	\$ 2,928,350

In 2011, the Calgary Foundation ("TCF") forwarded a loan with a value 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. 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 (Note 13 (b) (ii));

(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 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 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) Deferred contributions related to property

	2012	2011
Beginning balance (i)	\$ 500,000	\$ -
Additions (ii)	5,000,000	500,000
Utilizations	(2,631,538)	-
Ending balance	\$ 2,868,462	\$ 500,000

Continued

Calgary Arts Development Authority Ltd.**Notes to the Financial Statements****For the year ended December 31, 2012 and 2011****13 CONTROLLED AND RELATED ENTITY - cSPACE PROJECTS (continued)**

(i) On November 15, 2011, CADA signed a grant agreement with TCF for the sum of \$3,027,000 to be used solely to support the charitable aspects of the King Edward School Arts Incubator Project. 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. To this date, payments totaling \$1,027,000 have been received.

The Calgary Foundation will issue the remaining payments for a total of \$2,000,000 in four installments as follows:

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

(ii) In June 2012, cSPACE received the amount of \$5,000,000 funding from the City of Calgary, and it was repaid to the principal of the TCF loan (Note 13 (a) (i)).

Condensed Statement of Operations

	2012	2011
Total revenue (c)	\$ 1,550,803	\$ -
Total expenses (c)	475,516	-
Excess of revenue over expenses	<u>\$ 1,075,287</u>	<u>\$ -</u>

Condensed Statement of Cash Flows

	2012	2011
Cash from operating activities	\$ 3,255,849	\$ (401,350)
Cash from financing activities	(2,631,538)	8,428,350
Cash from investing activities	(624,374)	(8,027,000)
Decrease in cash	\$ (63)	\$ -
Cash, beginning of the period	\$ -	\$ -
Cash, end of the year	<u>\$ (63)</u>	<u>\$ -</u>

(c) During 2012, pursuant to the Memorandum of Understanding between cSPACE and CADA, CADA granted \$420,000 funding to cSPACE, and charged \$12,000 for cSPACE's share of accounting software, consulting, and license costs.

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

14. COMPARATIVE FIGURES

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