

**Calgary Arts Development Authority Ltd.**

**Financial Statements**

**December 31, 2013**

**Calgary Arts Development Authority Ltd.**  
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**For the year ended December 31, 2013**

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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, 2013, 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 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, 2013, and the results of its operations and its cash flows for the year ended December 31, 2013 in accordance with Canadian public sector accounting standards for not-for-profit organizations.

*Calvista LLP*

Professional Accountants

May 27, 2014  
Calgary, Alberta, Canada

**Calgary Arts Development Authority Ltd.**

**Statement of Financial Position**

**As at December 31, 2013**

	2013	2012
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 495,574	\$ 141,931
Short term investment (note 3)	50,097	370,715
Accounts receivable (note 4)	205,541	104,814
Goods and services tax receivable	19,081	6,180
Refundable deposits	17,740	6,414
Prepaid expenses	41,315	52,044
	<u>829,348</u>	<u>682,098</u>
<b>Capital assets (note 5)</b>	<u>-</u>	<u>9,417</u>
	<u>\$ 829,348</u>	<u>\$ 691,515</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 71,367	\$ 99,948
Grant commitments (note 6)	585,322	448,125
	<u>656,689</u>	<u>548,073</u>
<b>Deferred contributions related to capital assets (note 7)</b>	<u>-</u>	<u>9,417</u>
	<u>656,689</u>	<u>557,490</u>
<b>NET ASSETS</b>		
<b>Internally restricted (note 8)</b>	<u>172,659</u>	<u>134,028</u>
	<u>\$ 829,348</u>	<u>\$ 691,515</u>

Approved on behalf of the Board:



Director



Director

# Calgary Arts Development Authority Ltd.

## Statement of Operations

For the year ended December 31, 2013

	2013	2012
<b>REVENUE</b>		
City of Calgary	\$ 5,440,715	\$ 5,509,256
Revenue from other sources (note 9)	1,069,965	326,100
Miscellaneous income (note 10)	115,035	119,021
Interest income	16,904	12,347
Amortization of deferred contributions related to capital assets	9,417	3,747
Rent income	-	27,015
	<u>6,652,036</u>	<u>5,997,486</u>
<b>EXPENSES</b>		
Grants expense - City of Calgary	4,187,019	4,428,355
Grants expense - other sources (note 11)	1,053,519	335,000
Salaries and employee benefits	778,150	788,474
Consulting and project management	184,399	176,997
Catering and hosting	123,019	36,562
Rent	102,605	116,362
Advertising and promotion	53,006	11,636
Professional fees	38,984	37,710
Office supplies	27,909	25,629
Volunteer development	21,438	19,858
Telecommunications	17,227	14,094
Amortization	9,417	3,747
Travel and parking	8,704	7,293
Bank charges	4,049	2,723
Miscellaneous	3,957	2,057
	<u>6,613,402</u>	<u>6,006,497</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<u>\$ 38,634</u>	<u>\$ (9,011)</u>

**Calgary Arts Development Authority Ltd.**

**Statement of Changes in Net Assets**

**For the year ended December 31, 2013**

	<b>Internally Restricted (note 8)</b>	<b>Unrestricted</b>	<b>2013</b>	<b>2012</b>
Balance, beginning of year	\$ 134,025	\$ -	\$ 134,025	\$ 143,036
Excess (deficiency) of revenue over expenses	-	38,634	38,634	(9,011)
Interfund transfer	38,634	(38,634)	-	-
<b>Balance, end of year</b>	<b>\$ 172,659</b>	<b>\$ -</b>	<b>\$ 172,659</b>	<b>\$ 134,025</b>

# Calgary Arts Development Authority Ltd.

## Statement of Cash Flows

For the year ended December 31, 2013

	2013	2012
<b>CASH FROM OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses	\$ 38,634	\$ (9,011)
Add back non-cash items:		
Amortization	9,417	3,747
Amortization of deferred contributions related to capital assets	(9,417)	(3,747)
	<u>38,634</u>	<u>(9,011)</u>
Changes in non-cash working capital:		
Accounts receivable	(100,727)	27,593
Grant receivable	-	250,000
Goods and services tax receivable	(12,901)	(1,355)
Refundable deposits	(11,326)	(1,000)
Prepaid expenses	10,729	(47,980)
Accounts payable and accrued liabilities	(28,581)	36,759
Grant commitments	137,197	(36,350)
	<u>33,025</u>	<u>218,656</u>
<b>INVESTING ACTIVITIES</b>		
Redemption (purchase) of short term investments	<u>320,618</u>	<u>(370,715)</u>
<b>INCREASE IN CASH</b>	<b>353,643</b>	<b>(152,059)</b>
<b>CASH, BEGINNING OF YEAR</b>	<u>141,931</u>	<u>293,990</u>
<b>CASH, END OF YEAR</b>	<u>\$ 495,574</u>	<u>\$ 141,931</u>

# Calgary Arts Development Authority Ltd.

## Notes to the Financial Statements

For the year ended December 31, 2013

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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. 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.

#### (b) 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.

#### (c) 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:

Computers	3 years
Equipment	5 years
Furniture	5 years
Leasehold improvements	Term of lease

#### (d) 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.

#### (e) 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.

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2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) 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% per annum, maturing on October 21, 2014.

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4. ACCOUNTS RECEIVABLE

In 2013, Remarkable Experience Accelerator Program funds were granted to an arts organization affected by the June 2013 Alberta floods. The funding agreement required the return of part or all of these funds if the organization was able to manage its finances successfully. The organization was successful and the funds were returned to CADA subsequent to year-end.

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5. CAPITAL ASSETS

	Cost		Accumulated Amortization		Net Book Value	
	2013	2012	2013	2012	2013	2012
Leasehold improvements	\$ 18,736	\$ 18,736	\$ 18,736	\$ 9,319	\$ -	\$ 9,417

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**Calgary Arts Development Authority Ltd.****Notes to the Financial Statements**

For the year ended December 31, 2013

**6. GRANT COMMITMENTS**

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

	2013	2012
Balance, beginning of year	\$ 448,125	\$ 484,475
Add: commitments approved during the year	5,240,538	4,727,005
Less: commitments paid out during the year	(5,103,341)	(4,763,355)
Balance, end of year	<u>\$ 585,322</u>	<u>\$ 448,125</u>

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

	2013	2012
Mayor's Lunch (Artist Legacy Awards)	\$ 191,000	\$ -
Remarkable Experience Accelerator Program (a)	185,100	275,000
Making Treaty 7	56,778	-
City of Calgary Event Stimulus Program	53,625	105,125
Arts for All	50,000	-
Invest YYC	22,181	500
Alberta Arts Flood Rebuild	19,038	-
Poet Laureate Program	4,000	15,000
Operating grant	3,600	52,500
	<u>\$ 585,322</u>	<u>\$ 448,125</u>

(a) An organization provided funds to CADA related to the transaction described in note 4, as a prepayment of its commitment for the 2014 fiscal year. This prepayment has been recorded as a grant commitment.

**7. DEFERRED CONTRIBUTIONS**

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

	2012	Additions	Utilizations	2013
Related to capital assets	\$ 9,417	\$ -	\$ (9,417)	\$ -

**8. INTERNALLY RESTRICTED NET ASSETS**

In 2013, the Board restricted the following amounts for specific purposes:

**(a) Contingency Operating Reserve - \$40,000 (2012 - \$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 (2012 - \$94,025)**

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, 2013, management identified \$132,659 (2012 - \$94,025) to be spent in 2014 to support 2014 Strategic Business Plan initiatives.

**Calgary Arts Development Authority Ltd.****Notes to the Financial Statements**

For the year ended December 31, 2013

**9. REVENUE FROM OTHER SOURCES**

	2013	2012
Invest YYC	\$ 390,063	\$ -
Calgary Hotel Association	275,000	250,000
Calgary 2012	213,652	55,000
Suncor Energy Foundation (Alberta Arts Flood Rebuild)	100,000	-
Alberta Culture (Alberta Arts Flood Rebuild)	50,000	-
Contributions to programs	41,250	21,100
	<u>\$ 1,069,965</u>	<u>\$ 326,100</u>

**10. MISCELLANEOUS INCOME**

	2013	2012
Program income	\$ 115,004	\$ 118,726
Other income	31	295
	<u>\$ 115,035</u>	<u>\$ 119,021</u>

**11. GRANTS EXPENSE - OTHER SOURCES**

	2013	2012
Invest YYC	\$ 354,212	\$ -
Remarkable Experience Accelerator Program	232,400	225,000
Alberta Arts Flood Rebuild	203,588	-
Invest YYC (matching funds)	163,122	-
Making Treaty 7	50,000	10,000
Mayor's Lunch (Artist Legacy Awards)	25,000	-
Poet Laureate Program	21,000	-
Calgary 2012 grants	4,197	-
Arts Vest	-	100,000
	<u>\$ 1,053,519</u>	<u>\$ 335,000</u>

**12. LEASE COMMITMENT**

CADA had leased premises with an expiry date of August 31, 2014. Subsequent to the year-end, 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.

The estimated minimum annual rental payments, including operating costs, are as follows:

2014	\$ 106,770
2015	142,359
2016	142,359
2017	142,359
2018	142,359
Thereafter	782,746
	<u>\$ 1,458,952</u>

**Calgary Arts Development Authority Ltd.****Notes to the Financial Statements**

For the year ended December 31, 2013

**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)(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, 2013 and 2012, 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>2013</b>	<b>2012</b>
Current assets	\$ 2,751,100	\$ 594,576
Property under development	10,284,047	8,641,374
Total assets	<u>\$ 13,035,147</u>	<u>\$ 9,235,950</u>
Current liabilities		
Bank overdraft	\$ -	\$ 63
Accounts payable and accrued liabilities	597,202	133,600
Demand loan (a)	2,928,350	2,928,350
	<u>3,525,552</u>	<u>3,062,013</u>
Deferred contributions related to property (b)	5,868,462	2,868,462
Total liabilities	<u>9,394,014</u>	<u>5,930,475</u>
Total net assets	<u>3,641,133</u>	<u>3,305,475</u>
Total liabilities and net assets	<u>\$ 13,035,147</u>	<u>\$ 9,235,950</u>

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13. CONTROLLED AND RELATED ENTITY - cSPACE PROJECTS (continued)

Condensed Statement of Operations

	<u>2013</u>	<u>2012</u>
Total revenue (c)	\$ 941,522	\$ 1,550,803
Total expenses	605,864	475,516
Excess of revenue over expenses	<u>\$ 335,658</u>	<u>\$ 1,075,287</u>

Condensed Statement of Cash Flows

	<u>2013</u>	<u>2012</u>
Cash from operating activities	\$ 1,087,717	\$ 3,255,849
Cash from financing activities	3,000,000	(2,631,538)
Cash from investing activities	(1,470,019)	(624,374)
Increase (decrease) in cash	2,617,698	(63)
Cash, beginning of the period	(63)	-
Cash, end of the year	<u>\$ 2,617,635</u>	<u>\$ (63)</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 ("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 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. A payment of \$5,000,000 was made on June 29, 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 completion of such sales; and

(iii) in all events the balance outstanding, \$2,928,350 as of December 31, 2013 (\$2,928,350 - December 31, 2012), 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 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;
- (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, 2013

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

## (b) Deferred contributions related to property

	The Calgary Foundation	The City of Calgary	Province of Alberta	Total
Balance, January 1, 2012	\$ 500,000	\$ -	\$ -	\$ 500,000
Additions	-	5,000,000	-	5,000,000
Utilization	(444,500)	(2,187,038)	-	(2,631,538)
Balance, December 31, 2012	55,500	2,812,962	-	2,868,462
Additions (i)	-	-	3,000,000	3,000,000
Utilization	-	-	-	-
Balance, December 31, 2013	\$ 55,500	\$ 2,812,962	\$ 3,000,000	\$ 5,868,462

(i) All additions are funded by the Province of Alberta for the 2014 and 2015 calendar years. As of December 31, 2013, \$1,641,623 had been spent on property under development. The remaining cash amount was \$1,358,377, which was reported as restricted cash. In accordance with the organization's revenue recognition policy, contributions received for property and equipment are deferred until the assets are put in use and amortized.

## (c) Contributions received for operations

	2013	2012
The Calgary Foundation	\$ 500,000	\$ 527,000
Calgary Arts Development Authority	420,000	420,000
GST receivable on property acquisition	-	401,350
Government of Alberta	-	125,000
City of Calgary - Recreation	-	60,000
City of Calgary - Financial Incentive Pilot Program	-	10,000
Alberta Culture	-	4,000
Others	-	1,000
	<b>\$ 920,000</b>	<b>\$ 1,548,350</b>

(d) During 2013, pursuant to the Memorandum of Understanding between cSPACE and CADA, CADA granted \$420,000 (2012-\$420,000) of funding to cSPACE, and charged \$Nil (2012-\$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. 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.

**15. COMPARATIVE FIGURES**

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