

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.

Non-Consolidated Financial Statements

Year ended December 31, 2015

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.

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Year ended December 31, 2015

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying non-consolidated financial statements of Calgary Arts Development Authority Ltd., which comprise the non-consolidated statement of financial position as at December 31, 2015, the non-consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these non-consolidated 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 an audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated 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 non-consolidated 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 non-consolidated financial statements present fairly, in all material respects, the financial position of Calgary Arts Development Authority Ltd. as at December 31, 2015, and its results of operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

The non-consolidated financial statements of Calgary Arts Development Authority Ltd. as at and for the year ended December 31, 2014 were audited by another auditor who expressed an unmodified opinion on those non-consolidated financial statements on April 17, 2015.

Chartered Professional Accountants

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Calgary, Canada

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.
Non- Consolidated Statement of Financial Position
As at December 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Current		
Cash and cash equivalents	\$ 127,395	\$ 74,283
Short term investments (Note 3)	376,841	450,472
Accounts receivable	52,744	7,600
Goods and services tax receivable	6,759	11,650
Prepaid expenses	37,562	38,901
Refundable deposits	12,826	12,326
	\$ 614,127	\$ 595,232
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 32,948	\$ 134,566
Grant liabilities (Note 6)	229,783	277,191
Deferred contributions (Note 7)	106,500	14,432
	369,231	426,189
Net Assets		
Internally restricted (Note 8)	244,896	169,043
	\$ 614,127	\$ 595,232
Commitments (Note 12)		

See accompanying notes to non-consolidated financial statements.

ON BEHALF OF THE BOARD

Director

Director

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.**Non-Consolidated Statement of Operations****Year ended December 31, 2015, with comparative information for 2014**

	Budget	2015	2014
Revenues			
City of Calgary grant	\$5,715,000	\$ 5,650,000	\$ 5,441,292
Revenue from other sources (Note 9)	750,500	591,700	742,082
Miscellaneous income (Note 10)	192,500	122,178	127,451
Interest income	12,000	15,378	18,825
Rental income	25,000	2,037	8,000
	6,695,000	6,381,293	6,337,650
Expenses			
Grant expense – City of Calgary	3,939,800	3,889,800	3,848,339
Grant expense – City of Calgary – cSPACE	420,000	420,000	420,000
Total grant expense – City of Calgary	4,359,800	4,309,800	4,268,339
Grant expense – other sources (Note 11)	447,500	483,664	670,521
Salaries and employee benefits	805,308	705,151	723,102
Consulting and project management	464,000	397,515	227,479
Rent	157,000	144,016	132,592
Catering and hosting	104,400	94,347	118,291
Advertising and promotion	156,700	36,572	39,906
Telecommunications	33,300	35,037	9,886
Professional fees	28,000	30,143	59,726
Volunteer development	37,030	25,453	34,290
Office supplies	29,030	19,544	22,261
Travel and parking	20,300	18,571	14,312
Artist and speaker fees	3,500	3,200	15,260
Bank charges and miscellaneous	4,500	2,427	5,301
	6,650,368	6,305,440	6,341,266
Excess (deficiency) of revenues over expenses	\$44,632	\$ 75,853	(\$ 3,616)

See accompanying notes to non-consolidated financial statements.

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.

Non-Consolidated Statement of Changes in Net Assets

Year ended December 31, 2015, with comparative information for 2014

	Internally restricted (Note 7)	Unrestricted	2015	2014
Net assets – beginning of year	\$ 169,043	\$ -	\$ 169,043	\$ 172,659
Excess (deficiency) of revenues over expenses	-	75,853	75,853	(3,616)
Interfund transfer	75,853	(75,853)	-	-
Net assets – end of year	\$ 244,896	\$ -	\$ 244,896	\$ 169,043

See accompanying notes to non-consolidated financial statements.

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.**Non-Consolidated Statement of Cash Flows****Year ended December 31, 2015, with comparative information for 2014**

	2015	2014
Cash provided by (used in):		
Operating Activities		
Excess (deficiency) of revenues over expenses	\$ 75,853	(\$ 3,616)
Changes in non-cash working capital:		
Accounts receivable	(45,144)	197,941
Goods and services tax receivable	4,891	7,431
Prepaid expenses	1,339	2,414
Refundable deposits	(500)	5,416
Accounts payable and accrued liabilities	(101,618)	63,197
Grant liabilities	(47,408)	(308,131)
Deferred contributions	92,068	14,432
Cash flow used by operating activities	(20,519)	(20,916)
Investing Activities		
Redemption of short term investments	5,565,000	5,950,000
Purchase of short term investments	(5,491,369)	(6,350,375)
Cash flows from (used) investing activities	73,631	(400,375)
Increase (decrease) in cash and cash equivalents	53,112	(421,291)
Cash and cash equivalents, beginning of period	74,283	495,574
Cash and cash equivalents, end of period	\$ 127,395	\$ 74,283

See accompanying notes to non-consolidated financial statements

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.
Notes to the Non-Consolidated Financial Statements

Year ended December 31, 2015, with comparative information for 2014

1. PURPOSE OF ORGANIZATION

The 2004 Calgary Civic Arts Policy led to the 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 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 arts development strategy for Calgary. CADA is a government not-for-profit organization as it is controlled by the City of Calgary.

Management has determined that under Section 149 of the Income Tax Act, CADA is not subject to the payment of income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

The non-consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards ("PSAS") for not-for-profit organizations. CADA's significant accounting policies are as follows:

(a) Basis of Presentation

These financial statements have been prepared on a non-consolidated basis. Financial details regarding cSPACE Projects, a controlled entity, are disclosed in note 13 to these non-consolidated financial statements.

(b) Non-use of Statement of Remeasurement Gains and Losses

As there are no items to be reported on the statement of remeasurement gains and losses, the statement has not been prepared.

(c) Non-use of Net Debt Model Format

PSAS requires a net debt presentation for the non-consolidated statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as net debt or net financial assets as an indicator of the future revenues required to pay for past transactions and events. CADA operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these non-consolidated financial statements do not report a net debt indicator.

Year ended December 31, 2015, with comparative information for 2014

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Revenue recognition

CADA follows the deferral method of accounting for contributions.

Restricted contributions, such as grants, revenue from other sources, miscellaneous income designated for a specific purpose, are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions, such as grants, revenue from other sources, miscellaneous income not designated for a specific purpose are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest revenue is recognized when it is earned.

Rental revenue is recognized in the period during which occupancy took place.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months.

(f) 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 non-consolidated financial statements. The fair value of this contribution was not determinable and was not recognized in the non-consolidated financial statements.

(g) Financial Instruments

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. CADA has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, CADA determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset.

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.
Notes to the Non-Consolidated Financial Statements

Year ended December 31, 2015, with comparative information for 2014

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(g) Financial Instruments (continued)

If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount CADA expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(h) Management Estimates

The preparation of non-consolidated financial statements in accordance with Canadian public sector accounting standards 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 non-consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. SHORT TERM INVESTMENTS

Short term investments consist of Guaranteed Investment Certificates (GICs) with an interest rate of 1.00% (2014 – 1.2%). CADA has classified these investments as current as they could be liquidated at any time.

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.
Notes to the Non-Consolidated Financial Statements

Year ended December 31, 2015, with comparative information for 2014

4. FINANCIAL INSTRUMENTS

CADA's financial instrument consist of cash, short term investments, accounts receivable, refundable deposits, accounts payable and accrued liabilities and grant liabilities, all of which are measured at amortized cost. Due to their short term nature, the carrying value of financial instruments approximate their fair market value. It is management's opinion that CADA is not exposed to significant interest or credit risk arising from these non-consolidated financial statements.

(a) Market Risk

CADA is exposed to the financial risk related to the fluctuation of foreign exchange rates. Their revenue is based on the Canadian dollar, but incurs some consulting expenses in U.S. dollars. A significant change in currency exchange rates of the U.S. dollar relative to the Canadian dollar could have an effect on CADA's results of operations, financial position and cash flows. CADA does not use derivative instruments to reduce its exposure to foreign exchange risk.

The carrying amount of foreign currency denominated monetary assets and liabilities is as follows:

	2015	2014
Cash and cash equivalents	\$ 81	\$ -

In addition to these monetary assets, they have an outstanding commitment denominated in U.S. dollars as described in Note 12.

(b) Credit Risk

Credit risk refers that a counter party may default on its contractual obligations resulting in a financial loss. CADA is exposed to credit risk with respect to cash, short term investments and accounts receivable. Cash and short term deposits are deposited with respectable Canadian commercial banks. A substantial portion of accounts receivable are well known and reliable funders and are subject to normal credit risk.

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.
Notes to the Non-Consolidated Financial Statements

Year ended December 31, 2015, with comparative information for 2014

5. EXPENSES BY DEPARTMENT

	Budget	2015	2014
Community Investment	\$ 5,412,446	\$ 5,259,063	\$5,033,533
Operations	482,865	332,228	524,630
Engagement	436,920	418,954	582,274
Communication	318,137	295,195	200,829
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	\$ 6,650,368	\$ 6,305,440	\$ 6,341,266

6. GRANT LIABILITIES

	2015	2014
Balance, beginning of the year	\$ 277,191	\$ 585,322
Add: liabilities approved during the year	4,753,882	4,724,650
Less: liabilities paid out during the year	(4,801,290)	(5,032,781)
	<hr/>	<hr/>
Balance, end of the year	\$ 229,783	\$ 277,191

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.
Notes to the Non-Consolidated Financial Statements

Year ended December 31, 2015, with comparative information for 2014

6. GRANT LIABILITIES, continued

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

	2015	2014
Mayor's Lunch (Artist Legacy Awards)	\$ 144,250	\$ 169,250
Remarkable Experience Accelerator Program	59,475	80,100
City of Calgary Event Stimulus Program	17,375	17,375
Calgary 2012 Legacy Grants	5,178	5,178
Operating Grant	3,505	2,010
Invest YYC	-	3,278
	\$ 229,783	\$ 277,191

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

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.
Notes to the Non-Consolidated Financial Statements

Year ended December 31, 2015, with comparative information for 2014

7. DEFERRED CONTRIBUTIONS

Deferred contributions are comprised of unspent externally restricted grants and other revenue.

	2015	2014
New Pathways	\$ 90,000	\$ 4,432
Mayor's Lunch (Artist Legacy Awards)	15,000	10,000
Poet Laureate	1,500	-
	\$ 106,500	\$ 14,432

Continuity of deferred contributions is as follows:

	2015	2014
Balance, beginning of year	\$ 14,432	\$ -
Less amount recognized as revenue in the year	(14,432)	-
Add amount received related to future year	106,500	14,432
Balance, end of year	\$ 106,500	\$ 14,432

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.
Notes to the Non-Consolidated Financial Statements

Year ended December 31, 2015, with comparative information for 2014

8. INTERNALLY RESTRICTED

The Board has internally restricted the following amount for specific purposes:

(a) Contingency Operating Reserve - \$40,000 (2014-\$36,384)

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

(b) Community Investment Reserve - \$204,896 (2014-\$132,659)

These funds are internally restricted by the Board for the purposes of funding strategic initiatives in accordance with the strategic plan approved by the Board from time to time. As at December 31, 2015, Management identified \$204,894 (2014 - \$132,659) to support strategic business plan initiatives.

9. REVENUE FROM OTHER SOURCES

	2015	2014
Remarkable Experience Accelerator Program	\$ 420,625	\$ 262,500
New Pathways	104,432	45,568
Mayor's Lunch (Artist Legacy Awards)	36,500	30,000
Invest YYC	24,643	96,540
Poet Laureate	5,500	13,000
Event Stimulus Program	-	36,250
Alberta Flood Relief	-	204,808
Calgary 2012 Legacy Grants	-	51,600
Living A Creative Life – Youth & Education	-	1,816
	\$ 591,700	\$ 742,082

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.
Notes to the Non-Consolidated Financial Statements

Year ended December 31, 2015, with comparative information for 2014

10. MISCELLANEOUS INCOME

	2015	2014
Program income	\$107,810	\$126,921
Foreign exchange gain (loss)	14,288	-
Other income	80	530
	\$ 122,178	\$ 127,451

11. GRANTS EXPENSE FROM OTHER SOURCES

	2015	2014
Remarkable Experience Accelerator Program	\$ 408,000	\$ 262,500
Invest YYC	40,664	91,661
Mayor's Lunch (Artist Legacy Awards)	35,000	30,010
Alberta Flood Relief	-	198,500
Calgary 2012 Legacy Grants	-	51,600
Event Stimulus Program	-	36,250
	\$ 483,664	\$ 670,521

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.
Notes to the Non-Consolidated Financial Statements

Year ended December 31, 2015, with comparative information for 2014

12. COMMITMENTS

In January 2014, CADA entered into a lease agreement for new leased premises with an expiry date of March 2024. The estimated minimum annual rental payment, including operating costs, are as follows:

2016	\$ 142,363
2017	142,363
2018	142,363
2019	147,664
2020	149,431
Thereafter	<u>485,652</u>
	<u>\$ 1,209,836</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:

2016	\$ 5,246
2017	5,246
2018	5,246
2019	<u>3,934</u>
	<u>\$ 19,672</u>

In 2014, CADA entered into an agreement for consulting services with a U.S. based organization for a total of \$542,000 U.S. dollars paid out over 4 years (outstanding U.S. dollar balance 2016 - \$142,200 and 2017 - \$210,800). The remaining estimated consulting fees (in Canadian dollars) are as follows:

2016	\$ 196,800
2017	<u>291,750</u>
	<u>\$ 488,550</u>

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.
Notes to the Non-Consolidated Financial Statements

Year ended December 31, 2015, with comparative information for 2014

13. Controlled and related entity – cSPACE Projects

CADA is a shareholder 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 under the Alberta Corporations Act. The purpose of cSPACE is to promote, coordinate and facilitate real estate projects that establish affordable facilities, accommodations and education opportunities for artists and registered non-profit organizations operating in the arts and community sector. cSPACE has not been consolidated with CADA’s non-consolidated financial statements.

Financial summaries of cSPACE as at December 31, 2015 and 2014 and for the years then ended are as follows:

	2015	2014
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Financial Position		
Total Assets	\$18,119,273	\$14,093,718
Total Liabilities	9,830,999	8,797,296
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Net Assets	\$8,288,274	\$5,296,422
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Results of Operations		
Total Revenue	\$938,905	\$923,223
Total Expenses	543,892	713,284
Gain on disposal of lands held for sale	2,596,839	-
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Excess of revenue over expenses	\$2,991,852	\$209,939
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CALGARY ARTS DEVELOPMENT AUTHORITY LTD.
Notes to the Non-Consolidated Financial Statements

Year ended December 31, 2015, with comparative information for 2014

13. Controlled and related entity – cSPACE Projects, continued

	2015	2014
<hr/>		
Cash Flows		
Cash flow from (used by) operations	\$1,094,358	\$ (383,965)
Cash flow from financing activities	16,181	385,452
Cash flow used in investing	(494,227)	(1,413,961)
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Net change in cash	\$616,312	\$ (1,412,474)
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During 2015, pursuant to the Memorandum of Understanding between cSPACE and CADA, CADA granted \$420,000 (2014 - \$420,000) of funding to cSPACE.

During 2015, CADA received \$1,714 (2014 - \$nil) from cSPACE in rental income.

14. BUDGET FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from CADA's Budget Plan as approved by the Board of Directors on November 25, 2014.

15. COMPARATIVE FIGURES

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