

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.

Non-Consolidated Financial Statements

Year ended December 31, 2018

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.

Index to the Non-Consolidated Financial Statements

Year ended December 31, 2018

	Page
AUDITOR'S REPORT	2
NON-CONSOLIDATED FINANCIAL STATEMENTS:	
Non-Consolidated Statement of Financial Position	5
Non-Consolidated Statement of Operations	6
Non-Consolidated Statement of Changes in Net Assets	7
Non-Consolidated Statement of Cash Flows	8
Notes to the Non-Consolidated Financial Statements	9 - 20



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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the non-consolidated financial statements of Calgary Arts Development Authority Ltd. (the Entity), which comprise:

- the non-consolidated statement of financial position as at December 31, 2018
- the non-consolidated statement of operations for the year then ended
- the non-consolidated statement of changes in net assets for the year then ended
- the non-consolidated statement of cash flows for the year then ended
- and notes to the non-consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its results of operations, its remeasurement gains and losses, and its cash flows year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged With Governance for the 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.

In preparing the non-consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the non-consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

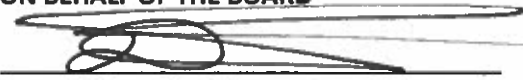
Calgary, Canada
March 12, 2019


CALGARY ARTS DEVELOPMENT AUTHORITY LTD.
Non- Consolidated Statement of Financial Position
As at December 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current		
Cash and cash equivalents	\$ 596,998	\$ 260,493
Short term investments (Note 3)	-	625,000
Accounts receivable	10,306	4,180
Goods and services tax receivable	12,481	6,250
Prepaid expenses	43,615	30,764
Refundable deposits	12,326	12,326
	675,726	939,013
Capital assets, net (Note 4)	8,819	12,346
	\$ 684,545	\$ 951,359
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	\$ 53,094	\$ 52,677
Employee deductions payable	13,032	20,534
Grant liabilities (Note 6)	84,977	343,309
Deferred contributions (Note 7)	72,250	85,000
	223,353	501,520
Net Assets		
Internally restricted (Note 8)	461,192	449,839
	\$ 684,545	\$ 951,359
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, 2018, with comparative information for 2017**

	Budget	2018	2017
Revenues			
City of Calgary grant	\$6,245,000	\$ 6,400,000	\$ 9,182,500
Revenue from other sources (Note 9)	424,000	353,062	673,488
Program income	113,000	95,712	97,180
Interest income	10,000	31,296	10,078
Rental income	12,000	16,395	13,321
Foreign exchange gain	-	98	1,252
	6,804,000	6,896,563	9,977,819
Expenses (Note 10)			
Grant expense – City of Calgary	4,483,820	4,628,255	7,351,575
Grant expense – City of Calgary – cSPACE (Note 14)	200,000	200,000	272,000
Grant Expense – City of Calgary - cSPACE Project grant (Note 14)	-	40,000	-
Total grant expense – City of Calgary	4,683,820	4,868,255	7,623,575
Grant expense – other sources (Note 11)	333,000	270,500	341,143
Salaries and employee benefits	787,721	775,654	729,190
Consulting and project management	303,400	326,221	449,560
Rent	155,900	162,207	149,766
Advertising and promotion	125,500	173,982	161,384
Catering and hosting	134,300	83,943	152,291
Volunteer development	73,000	60,708	50,603
Telecommunications	65,900	54,728	49,583
Office supplies	23,140	38,952	28,569
Travel and parking	35,060	30,522	22,174
Professional fees	39,250	28,679	30,685
Bank charges and miscellaneous	4,500	3,832	3,062
Amortization	5,000	3,527	1,764
Artist and speaker fees	4,000	3,500	3,500
	6,773,491	6,885,210	9,796,849
Excess of revenues over expenses	\$30,509	\$ 11,353	\$ 180,970

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, 2018, with comparative information for 2017**

	Internally restricted (Note 8)	Unrestricted	2018	2017
Net assets – beginning of year	\$ 449,839	\$ -	\$ 449,839	\$ 268,869
Excess of revenues over expenses	-	11,353	11,353	180,970
Interfund transfer	11,353	(11,353)	-	-
Net assets – end of year	\$461,192	\$ -	\$ 461,192	\$ 449,839

See accompanying notes to non-consolidated financial statements.

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.**Non-Consolidated Statement of Cash Flows****Year ended December 31, 2018, with comparative information for 2017**

	2018	2017
Cash provided by (used in):		
Operating Activities		
Excess of revenues over expenses	\$ 11,353	\$ 180,970
Add back non-cash items:		
Amortization of capital assets	3,527	1,764
Changes in non-cash working capital:		
Accounts receivable	(6,126)	142
Goods and services tax receivable	(6,231)	1,282
Prepaid expenses	(12,851)	25,141
Accounts payable and accrued liabilities	(7,085)	(124,573)
Grant liabilities	(258,332)	96,180
Deferred contributions	(12,750)	(128,750)
Cash flows (used in) from operating activities	(288,495)	52,156
Investing Activities		
Redemption of short term investments	625,000	625,000
Purchase of short term investments	-	(625,000)
Purchase of capital assets	-	(14,110)
Cash flows from (used in) investing activities	625,000	(14,110)
Increase in cash and cash equivalents	336,505	38,046
Cash and cash equivalents, beginning of year	260,493	222,447
Cash and cash equivalents, end of year	\$ 596,998	\$ 260,493

See accompanying notes to non-consolidated financial statements

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 and Disclosure of Controlled Not-for-Profit Organization

These financial statements have been prepared on a non-consolidated basis. Financial details regarding cSPACE Projects ("cSPACE") and Calgary Arts Foundation, controlled entities, are disclosed in note 15 and 16 to these non-consolidated financial statements.

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

As there are no items to be reported on the non-consolidated 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.

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) Capital Assets

Capital assets are recorded at cost. Assets purchased under \$5,000 are expensed. Amortization is provided by using the straight-line method to amortize the cost of the assets over their estimated useful lives. The rate is as follows:

Computer Equipment	4 years
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(g) 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. There were no contributed goods during the year.

(h) Non-monetary transactions

Non-monetary transactions which contain commercial substance are recorded at the fair market value of the asset given up.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(i) 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.

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.

(j) 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. Significant estimates include valuation of accounts receivable, useful life of capital assets and related depreciation. Actual results could differ from those estimates.

3. SHORT TERM INVESTMENTS

Short term investments of \$nil (2017 - \$625,000) consist of bank issued Guaranteed Investment Certificates (GICs) with an interest rate of nil % (2017 – 1.20%). CADA has classified these investments as current as they could be liquidated at any time. During the year, CADA has moved all investment in GICs to a savings account as they matured.

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.
Notes to the Non-Consolidated Financial Statements
Year ended December 31, 2018, with comparative information for 2017

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	2018 Net	2017 Net
Computer Equipment	\$ 14,110	(\$5,291)	\$ 8,819	\$ 12,346

5. FINANCIAL INSTRUMENTS

CADA's financial instruments consist of cash and cash equivalents, short term investments, accounts receivable, goods and services taxes 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 rate risks arising from these financial instruments.

(a) Foreign Exchange 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:

	2018	2017
Cash and cash equivalents	\$ 3,280	\$ 69

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.
Notes to the Non-Consolidated Financial Statements
Year ended December 31, 2018, with comparative information for 2017

5. FINANCIAL INSTRUMENTS, continued

(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 chartered Canadian commercial banks. A substantial portion of accounts receivable are well known and reliable funders and are subject to normal credit risk.

(c) Liquidity Risk

Liquidity risk is the risk that CADA will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or other financial assets. Liquidity requirements of CADA are met through maintaining sufficient cash to meet short term obligations. There has been no change in this risk from the prior year.

6. GRANT LIABILITIES

	2018	2017
Balance, beginning of the year	\$ 343,309	\$ 247,129
Add: liabilities approved during the year	4,934,255	8,075,638
Less: liabilities paid out during the year	(5,192,587)	(7,979,458)
Balance, end of the year	\$ 84,977	\$ 343,309

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.
Notes to the Non-Consolidated Financial Statements
Year ended December 31, 2018, with comparative information for 2017

6. GRANT LIABILITIES, continued

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

	2018	2017
Mayor's Lunch (Artist Legacy Awards)	\$ 57,000	\$ 84,000
Community Investment	22,977	22,977
Equinox Vigil	5,000	40,000
Remarkable Experience Accelerator Program	-	158,832
Operating Grant	-	37,500
	\$ 84,977	\$ 343,309

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

7. DEFERRED CONTRIBUTIONS

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

	2018	2017
SpaceFinder	\$ 50,000	\$ 50,000
Mayor's Lunch (Artist Legacy Awards)	13,250	26,000
Poet Laureate	9,000	9,000
	\$ 72,250	\$ 85,000

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.
Notes to the Non-Consolidated Financial Statements
Year ended December 31, 2018, with comparative information for 2017

7. DEFERRED CONTRIBUTIONS, continued

Continuity of deferred contributions is as follows:

	2018	2017
Balance, beginning of year	\$ 85,000	\$ 213,750
Less amount recognized as revenue in the year	(79,500)	(344,500)
Add amount received related to future years	66,750	215,750
Balance, end of year	\$ 72,250	\$ 85,000

8. INTERNALLY RESTRICTED

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

(a) Contingency Operating Reserve - \$161,192 (2017-\$150,000)

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

(b) Community Investment Reserve - \$ 300,000 (2017-\$ 299,839)

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, 2018, Management identified \$ 300,000 (2017 - \$ 299,839) to support strategic business plan initiatives.

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.
Notes to the Non-Consolidated Financial Statements
Year ended December 31, 2018, with comparative information for 2017

9. REVENUE FROM OTHER SOURCES

	Budget	2018	2017
Remarkable Experience Accelerator Program	\$293,000	\$ 208,832	\$ 274,393
Space Finder	52,500	50,000	45,000
Equinox Vigil	20,000	40,000	37,000
Mayor's Lunch (Artist Legacy Awards)	33,000	32,500	32,500
Summer Temporary Employment Program	-	9,480	11,760
Poet Laureate	10,500	9,000	9,000
Other Sources	15,000	3,250	10,835
New Pathways		-	250,000
Cultural Space Investment Process	-	-	3,000
	\$ 424,000	\$ 353,062	\$ 673,488

10. EXPENSES BY DEPARTMENT

	Budget	2018	2017
Community Investment	\$ 5,625,158	\$5,763,555	\$8,705,338
Operations	481,870	540,522	470,325
Engagement	319,540	297,593	361,405
Communication	346,923	283,540	259,781
	\$ 6,773,491	\$ 6,885,210	\$ 9,796,849

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.
Notes to the Non-Consolidated Financial Statements
Year ended December 31, 2018, with comparative information for 2017

11. GRANTS EXPENSE FROM OTHER SOURCES

	Budget	2018	2017
Remarkable Experience Accelerator Program	\$283,000	\$ 200,500	\$ 263,308
Equinox Vigil	20,000	40,000	37,000
Mayor's Lunch (Artist Legacy Awards)	30,000	30,000	30,000
Other		-	10,835
	\$ 333,000	\$ 270,500	\$ 341,143

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 estimated operating costs, are as follows:

2019	147,664
2020	149,431
2021	149,431
2022	149,431
2023	149,431
Thereafter	<u>37,357</u>
	<u>\$ 782,745</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:

2019	<u>3,934</u>
	<u>\$ 3,934</u>

13. NON-MONETARY TRANSACTION

CADA entered into a barter arrangement with another company which would supply CADA with a service in exchange for a reduced rental charge. This transaction was accounted for at the fair market value of the reduced rental charge. In 2018, the value of this transaction was \$13,895 (2017 - \$ nil), and increased both rental revenue and advertising and promotion by the same \$13,895 (2017 - \$nil).

14. 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, 2018 and 2017 and for the years then ended are as follows:

	2018	2017
Financial Position		
Total Assets	\$29,966,160	\$32,370,370
Total Liabilities	18,229,285	20,107,718
Net Assets	\$11,736,875	\$12,262,652

CALGARY ARTS DEVELOPMENT AUTHORITY LTD.
Notes to the Non-Consolidated Financial Statements
Year ended December 31, 2018, with comparative information for 2017

14. CONTROLLED AND RELATED ENTITY – cSPACE Projects, continued

	2018	2017
Results of Operations		
Total Revenues	\$1,554,225	\$1,263,177
Total Expenses	2,080,002	1,558,119
Deficiency of revenues over expenses	(\$ 525,777)	(\$ 294,942)
Cash Flows		
Cash flows (used in) from operations	\$(272,787)	\$1,341,631
Cash flows from financing activities	326,031	4,333,180
Cash flows used in investing	(1,160,729)	(7,055,239)
Net change in cash	(\$ 1,107,485)	(\$ 1,380,428)

During 2018, pursuant to the Memorandum of Understanding between cSPACE and CADA, CADA granted \$200,000 (2017 - \$272,000) of funding to cSPACE. In addition, an additional project grant of \$40,000 was also granted in 2018 (2017 – \$nil) to assist with the search for a replacement CEO for cSPACE.

The transactions are measured at the exchange amounts as they occur within the normal course of business.

15. CONTROLLED AND RELATED ENTITY – Calgary Arts Foundation

During the year, CADA formed a registered charity for tax purposes, the Calgary Arts Foundation (the “Foundation”). The Foundation’s purpose is to increase fundraising for CADA for the purpose of strengthening arts in Calgary. During the year, both CADA and the Foundation shared a common Board Chair as well as overlapping of staff. There was no activity for the Foundation for the 2018 year and as such, no financial summaries of the activity of the Foundation are included.

16. 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 December 5, 2017.