

Alberta Foundation for the Arts

Financial Statements

March 31, 2011

**Alberta Foundation for the Arts
Financial Statements
March 31, 2011**

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Independent Auditor's Report



To the Members of the Alberta Foundation for the Arts and
the Minister of Culture and Community Spirit

Report on the Financial Statements

I have audited the accompanying financial statements of the Alberta Foundation for the Arts, which comprise the statement of financial position as at March 31, 2011, and the statement of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Alberta Foundation for the Arts as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, CA]

Auditor General

May 27, 2011

Edmonton, Alberta

**Alberta Foundation for the Arts
Statement of Operations
Year ended March 31, 2011**

	2011		2010
	Budget	Actual (in thousands)	Actual
Revenues			
Internal Government Transfers			
Transfers from the Department of Culture and Community Spirit	\$ 29,200	\$ 29,100	\$ 34,834
Investment Income	213	135	119
Other Revenue			
Prior Years Refunds of Expenses	75	69	67
Donations of Artworks	300	98	193
	<u>29,788</u>	<u>29,402</u>	<u>35,213</u>
Expenses – Directly Incurred (Note 2(b) and Schedules 1 and 3)			
Support to Arts Organizations	22,241	22,470	26,826
Support to Individual Artists	4,996	4,336	5,369
Support to Cultural Industries	1,675	1,494	1,693
Administration	903	1,104	859
	<u>29,815</u>	<u>29,404</u>	<u>34,747</u>
Net Operating Results	<u>\$ (27)</u>	(2)	466
Operating Fund Balance at Beginning of Year		<u>1,828</u>	<u>1,362</u>
Operating Fund Balance at End of Year		<u>\$ 1,826</u>	<u>\$ 1,828</u>

The accompanying notes and schedules are part of these financial statements.

**Alberta Foundation for the Arts
Statement of Financial Position
As at March 31, 2011**

	2011	2010
	(in thousands)	
Financial Assets		
Cash (Note 3)	\$ 1,705	\$ 2,431
Accounts Receivable (Note 4)	12	25
	1,717	2,456
Cash Appropriated for Non-Current Use (Note 3)	467	467
Tangible Capital Assets (Note 5)	125	152
	\$ 2,309	\$ 3,075
Liabilities		
Accounts Payable and Accrued Liabilities	\$ 16	\$ 780
Fund Balances		
Operating	1,826	1,828
General Reserve – Restricted (Note 7)	467	467
	2,293	2,295
	\$ 2,309	\$ 3,075

Contractual obligations (Note 8)

The accompanying notes and schedules are part of these financial statements.

**Alberta Foundation for the Arts
Statement of Cash Flows
Year ended March 31, 2011**

	2011	2010
	(in thousands)	
Operating Transactions		
Net Operating Results	\$ (2)	\$ 466
Non-cash Items included in Net Operating Results		
Amortization of Tangible Capital Assets	27	27
	25	493
Decrease (Increase) in Accounts Receivable	13	(20)
(Decrease) Increase in Accounts Payable and Accrued Liabilities	(764)	586
Cash (Applied to) Provided by Operating Transactions	(726)	1,059
Capital Transactions		
Acquisition of Tangible Capital Assets	-	(5)
Cash (Applied to) Capital Transactions	-	(5)
(Decrease) Increase in Cash	(726)	1,054
Cash at Beginning of Year	2,431	1,377
Cash at End of Year	\$ 1,705	\$ 2,431

The accompanying notes and schedules are part of these financial statements.

**Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2011**

Note 1 Authority and Purpose

The Alberta Foundation for the Arts (Foundation) operates under the authority of the *Alberta Foundation for the Arts Act*, Chapter A-19, Revised Statutes of Alberta 2000.

The purposes of the Foundation are:

- To support and contribute to the development of literary, performing, visual and media arts in Alberta;
- To provide both individuals and organizations with opportunities to participate in the arts in Alberta;
- To promote the enjoyment of works of art created by Alberta artists;
- To oversee the collection, preservation and display of works of art by Alberta artists; and
- To encourage artists living in Alberta in their work.

The Foundation is a Crown agent of the Government of Alberta and as such has a tax exempt status.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

The reporting entity is the Alberta Foundation for the Arts, which is part of the Ministry of Culture and Community Spirit (Ministry) and for which the Minister of Culture and Community Spirit (Minister) is accountable. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Donations are recognized as revenues when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value at the date of donation when fair value can reasonably be determined.

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive goods or services directly in return. Internal government transfers are recognized as revenue when received.

**Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2011**

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(b) Basis of Financial Reporting (continued)

Expenses

Directly Incurred

Directly incurred expenses are those costs the Foundation has primary responsibility and accountability for, as reflected in the Government's budget documents.

Directly incurred expenses include amortization of tangible capital assets.

Grants are recorded as expenses when authorized and when all eligibility criteria have been satisfied.

Incurred by Others

Services contributed by other entities in support of the Foundation's operations are not recognized and are disclosed in Schedule 2 and allocated to programs in Schedule 3.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Foundation are limited to cash and financial claims such as accounts receivable from other organizations.

Assets acquired by right are not included. Tangible capital assets of the Foundation are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is \$250,000 and the threshold for major systems enhancements is \$100,000. The threshold for all other tangible capital assets is \$5,000.

Artworks and Collections

Artworks are not recorded as assets. Purchases of artworks are expensed in the period in which the items are acquired. Donations of artworks and collection items are reported as revenue and expenses at their fair value when fair value can be determined. When fair value cannot be reasonably determined, these donations are recorded at nominal value.

Proceeds from the disposition of artworks can only be used to acquire other items to be added to the collection or for the direct care of existing artworks.

**Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2011**

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(b) Basis of Financial Reporting (continued)

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short-term nature of these instruments.

**Note 3 Cash and Cash Appropriated for Non-Current Use
(in thousands)**

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of three years. As at March 31, 2011, securities held by CCITF have a time-weighted return of 1.1 % (2010 – 1.0%) per annum.

Cash appropriated for non-current use in the amount of \$467 (2010 – \$467) has been internally restricted and is therefore not available to pay for operating expenses of the Foundation (Note 7).

Due to the short-term nature of these deposits, the carrying value approximates fair value.

**Note 4 Accounts Receivable
(in thousands)**

	2011		2010	
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts Receivable	\$ 12	\$ -	\$ 12	\$ 25

Accounts receivable are unsecured and non-interest bearing.

**Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2011**

Note 5 Tangible Capital Assets
(in thousands)

	Equipment	Computer Hardware and Software	2011 Total	2010 Total
Estimated Useful Life	10 years	4 years		
Historical Costs				
Beginning of Year	\$ 273	\$ 20	\$ 293	\$ 288
Additions	-	-	-	5
Disposals	-	-	-	-
	<u>273</u>	<u>20</u>	<u>293</u>	<u>293</u>
Accumulated Amortization				
Beginning of Year	121	20	141	114
Amortization Expense	27	-	27	27
Effect of Disposals	-	-	-	-
	<u>148</u>	<u>20</u>	<u>168</u>	<u>141</u>
Net Book Value at March 31, 2011	<u>\$ 125</u>	<u>\$ -</u>	<u>\$ 125</u>	
Net Book Value at March 31, 2010		<u>\$ -</u>		<u>\$ 152</u>

Equipment includes vehicles, office equipment and furniture, and other equipment.

Note 6 Artworks and Collections

The Foundation actively collects visual artworks, which document the Province's significant visual artistic achievement. The collection is accessible to the public and consists of paintings, sculptures, drawings, photographs, ceramics, glass, fibre and prints.

At March 31, 2011, the collection consisted of approximately 8,296 (2010 – 8,108) pieces of artworks with an approximate value of \$12,081,911 (2010 – \$11,477,909). Contributions to the collection included 54 (2010 – 36) artworks with an appraised value of \$97,725 (2010 – \$193,080). There were three artwork dispositions during the year (2010 – two). The collection is insured.

**Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2011**

Note 7 General Reserve
(in thousands)

The general reserve in the amount of \$467 has been established by appropriation from the operating fund balance for the purpose of retaining an ongoing funding capability. Transfers from the reserve to the operating fund require board approval.

Interest earned on the cash appropriated for the reserve is reported as operating revenue.

Note 8 Contractual Obligations
(in thousands)

Contractual obligations are obligations of the Foundation to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2011	2010
Grant Agreements	\$ -	\$ 420
Service Contracts	1,092	988
	\$ 1,092	\$ 1,408

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	Grant Agreements	Service Contracts	Total
2012	\$ -	\$ 546	\$ 546
2013	-	546	546
	\$ -	\$ 1,092	\$ 1,092

**Alberta Foundation for the Arts
Notes to the Financial Statements
Year ended March 31, 2011**

Note 9 Honoraria
(in thousands)

	2011			2010	
	Honoraria ^(a)	Benefits and Allowances ^(b)	Total	Total	
Board ^(c)					
Chair	\$ 1	\$ -	\$ 1	\$	13
Vice Chair	4	-	4		1
Other Members (8)	18	-	18		36
	\$ 23	\$ -	\$ 23	\$	50

(a) The Foundation has no employees. Staff of the Department of Culture and Community Spirit administers the Foundation. Disclosure of information on their salaries and benefits, a requirement under Treasury Board Directive 12/98 as amended, is included in the financial statements of the Department of Culture and Community Spirit.

(b) No benefits were provided to Board members.

(c) Members appointed to the Foundation are paid honoraria for attending Foundation meetings at rates set by Ministerial Order. They are also paid for sub-committee meetings, to attend out-of-town meetings and for attending to other Foundation duties.

Note 10 Subsequent Events

Effective April 1, 2011, responsibility for Cultural Industries will be transferred to the Department of Culture and Community Spirit.

Note 11 Approval of Financial Statements

The financial statements were approved by the Board of Directors.

Alberta Foundation for the Arts
Schedule to Financial Statements
Expenses – Directly Incurred Detailed by Object
Year ended March 31, 2011

	2011		2010
	Budget	Actual	Actual
	(in thousands)		
Grants	\$ 25,206	\$ 25,011	\$ 30,141
Supplies and Services from Support Service			
Arrangements with Related Parties ^(a)	2,566	2,566	1,851
Supplies and Services	813	970	1,697
Acquisition of Artworks	860	709	788
Donations of Artworks	300	98	193
Amortization of Tangible Capital Assets	27	27	27
Honoraria (Note 9)	43	23	50
	\$ 29,815	\$ 29,404	\$ 34,747

^(a) The Foundation receives financial and program related administrative services from the Department of Culture and Community Spirit.

Alberta Foundation for the Arts
Schedule to Financial Statements
Related Party Transactions
Year ended March 31, 2011
(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Province of Alberta's financial statements.

The Foundation paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Foundation had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2011	2010	2011	2010
Revenues				
Transfers from the Department of Culture and Community Spirit	\$ 29,100	\$ 34,834	\$ -	\$ -
Expenses – Directly Incurred				
Grants	\$ -	\$ -	\$ 2,221	\$ 2,627
Other Services	-	-	11	50
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,232</u>	<u>\$ 2,677</u>
Receivable from	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12</u>
Payable to	<u>\$ 1</u>	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ 3</u>

The above transactions do not include support service arrangement transactions disclosed in Schedule 1.

Alberta Foundation for the Arts
Schedule to Financial Statements
Related Party Transactions
Year ended March 31, 2011
(in thousands)

The Foundation also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 3.

	Entities in the Ministry		Other Entities	
	2011	2010	2011	2010
Expenses – Incurred by Others				
Accommodation	\$ -	\$ -	\$ 459	\$ 459
Other Services	183	340	-	-
Legal Services	-	-	3	2
Internal Audit	-	-	25	10
	\$ 183	\$ 340	\$ 487	\$ 471

Alberta Foundation for the Arts
Schedule to Financial Statements
Allocated Costs
Year ended March 31, 2011
(in thousands)

Program	2011						2010
	Expenses ^(a)	Accommodation ^(b)	Other Services ^(c)	Legal Services ^(d)	Internal Audit ^(e)	Total Expenses	Total Expenses
Support to Arts Organizations	\$ 22,470	\$ 139	\$ 36	\$ 3	\$ 25	\$ 22,673	\$ 27,020
Support to Individual Artists	4,336	203	36	-	-	4,575	5,644
Support to Cultural Industries	1,494	34	70	-	-	1,598	1,854
Administration	1,104	83	41	-	-	1,228	1,040
	<u>\$ 29,404</u>	<u>\$ 459</u>	<u>\$ 183</u>	<u>\$ 3</u>	<u>\$ 25</u>	<u>\$ 30,074</u>	<u>\$ 35,558</u>

^(a) Expenses – Directly Incurred as per Statement of Operations.

^(b) The Department of Infrastructure provided accommodations. Costs shown for Accommodation (includes grants in lieu of taxes) on Schedule 2, allocated by square footage.

^(c) The Department of Culture and Community Spirit provided financial and administrative services. Costs shown for Other Services on Schedule 2, allocated by estimated costs incurred by each program.

^(d) The Department of Justice and Attorney General provided legal services. Costs shown for Legal Services on Schedule 2, allocated by estimated costs incurred by each program.

^(e) The Department of Treasury Board provided Internal Audit Services. Costs shown for Internal Audit Services on Schedule 2, allocated by estimated costs incurred by each program.